



Report of the Provincial Auditor

**to the Legislative Assembly
of Saskatchewan**

**2011 Report
Volume 1**





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Vision

We envision effective, open, and accountable government.

Mission

We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.



News Release

Provincial Auditor

New Provincial Auditor Issues Report

For immediate release

REGINA, JUNE 2, 2011 – Recently appointed Provincial Auditor Bonnie Lysyk today released the first volume of her 2011 Report. The Report highlights recommendations with a focus on the protection of people and the protection of infrastructure.

This report covers work performed on 137 government agencies. "While we have identified a number of areas where improvements are needed, overall we found adequate controls were in place to protect public resources," said Lysyk.

A few areas where improvements are needed include the following:

- ◆ The Prairie North Regional Health Authority did not have adequate processes to grant medical privileges to physicians working in hospitals. Before physicians can admit patients to hospitals, they must receive medical privileges that specify exactly what medical procedures they are permitted to perform.

The Prairie North Regional Health Authority did not clarify responsibility within the Region for granting medical privileges. It did not obtain all required documents (such as copies of current medical licenses and criminal record checks) before granting medical privileges and it did not conduct appropriate reference checks. The Authority also did not set requirements for physicians doing special procedures or practicing as specialists.

"Although no situations were found where patients were harmed," Lysyk said, "following accepted protocols for the granting of medical privileges to physicians will help ensure patient care and safety."

- ◆ While the Ministry of Corrections, Public Safety and Policing has designed appropriate policies and processes to use in rehabilitating adult offenders in the community, it needs to improve its compliance with such policies and processes. For instance, Lysyk noted that "while frequent contact with skilled probation officers reduces re-offending, we found that a high percentage of offenders did not receive the required amount of contact with their probation officer or alternate." Lysyk also noted that "the Ministry did not complete offender risk assessments and rehabilitation case plans in a timely way and did not prepare progress reports on adult offenders as often as required."

Over the last 10 years, about half of sentenced offenders in Saskatchewan were either readmitted to a correctional facility or were given a community service sentence within 24 months.

- ◆ The Ministry of Highways maintains about 800 bridges across Saskatchewan. According to the report, the Ministry needs to set long-term service objectives for bridges and then use those objectives to prioritize maintenance. Lysyk indicated that "doing the right maintenance

at the right time contributes to safety and potentially could reduce long-term costs." The audit recommends that the Ministry document its bridge maintenance planning processes and overall maintenance plan. The Ministry also needs to keep its computerized bridge management system up-to-date.

- ♦ The Ministry of Government Services provides accommodation to many government agencies. It owns or leases space in buildings in 166 communities across the province. Lysyk's report found that the Ministry had processes in place to plan accommodation on a building-by-building basis, but it needs to plan for the long-term combined needs of its clients. The Ministry also has more work to do to implement past recommendations on maintaining its buildings.

This report contains the first chapter issued by the office on school divisions. *The Education Act, 1995* was changed effective April 1, 2009 and the Provincial Auditor became responsible to audit school divisions. "School divisions deserve a pat on the back for improvements made in their financial reporting," said Lysyk. "However, we encourage all school divisions to compare their operations to the recommendations on practices and accountability in this chapter."

Where the Auditor had identified problems in the past, this report concluded that government agencies were doing a good job of addressing them. Of 46 past recommendations followed-up in this report, 37 have been fully or partially implemented.

This report focuses on government agencies with August 31 and December 31 year ends. Volume 2, to be published later this year, focuses on agencies with March 31 years ends.

The Provincial Audit Office is an independent office of the Legislative Assembly of Saskatchewan. The Office serves the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability.

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The *2011 Report – Volume 1* is available on the Internet at www.auditor.sk.ca.

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SASKATCHEWAN

May 24, 2011

The Honourable D. Toth
Speaker of the Legislative Assembly
Room 129, Legislative Building
REGINA, Saskatchewan
S4S 0B3

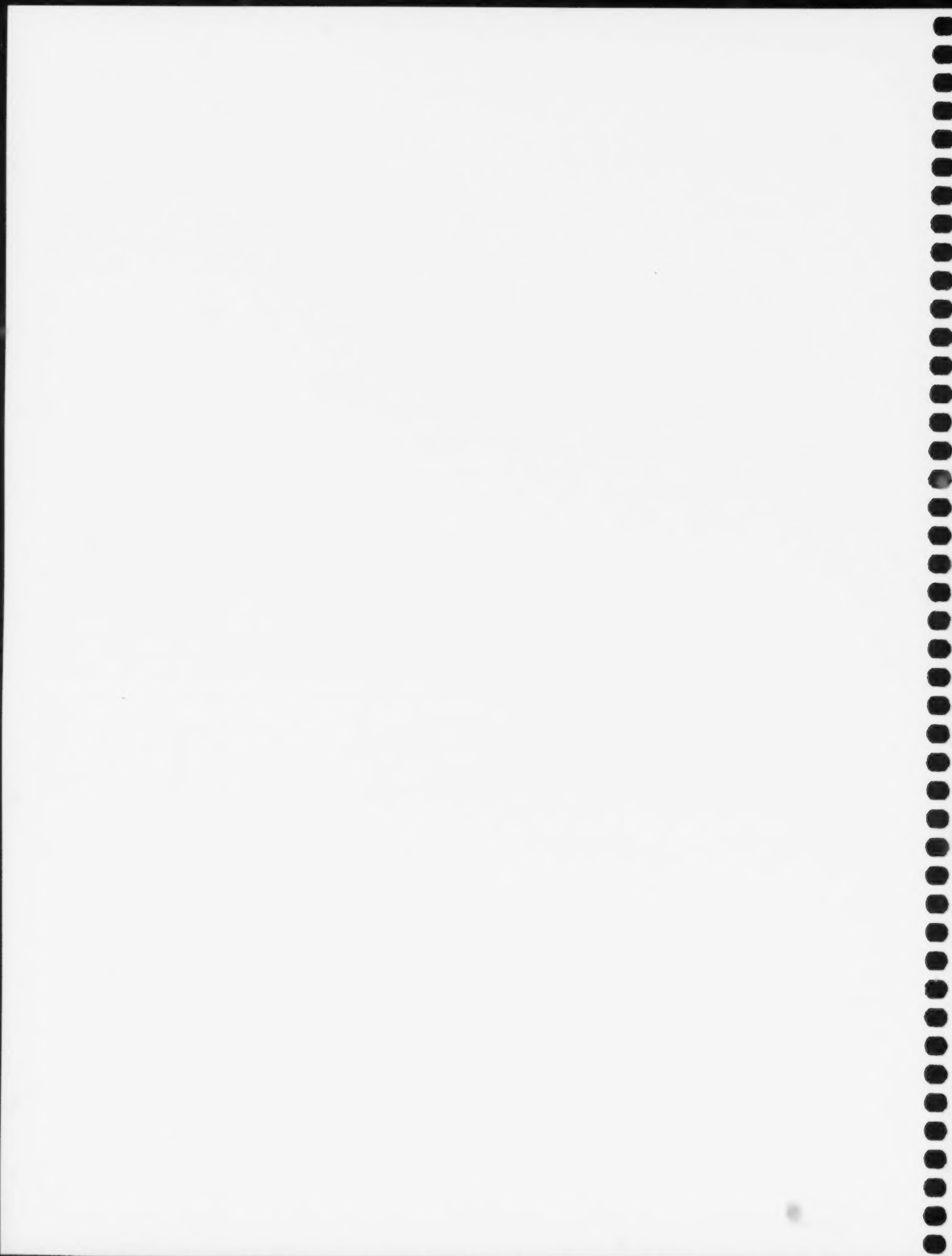
Dear Sir:

I have the honour of submitting my *2011 Report – Volume 1*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

Bonnie Lysyk, MBA, CA•CIA
Provincial Auditor

/cp



Our 2011 Reports

In 2011, our Office issued two other public reports to the Legislative Assembly. Following is a list of those reports. If you wish to obtain copies of these reports, or wish to discuss or receive presentations on the contents of any of these reports, please:

- ♦ visit our website at:

www.auditor.sk.ca

- ♦ contact our Office by Internet e-mail at:

info@auditor.sk.ca

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Our Reports:

- ♦ *Report to the Legislative Assembly of Saskatchewan on the Financial Statements of Crown Agencies for Years Ending in the 2010 Calendar Year: March 2011*
- ♦ *Report to the Legislative Assembly of Saskatchewan on the 2010 Financial Statements of CIC Crown Corporations and Related Entities: April 2011*

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Introduction

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Reflections of the Provincial Auditor

First, I would like to express my thank you to the Provincial Auditor Search Committee, Members of the Public Accounts Committee and Members of the Legislative Assembly for the privilege of serving as the new Provincial Auditor of Saskatchewan.

Work does not stop when leadership changes, so I jumped onto a moving train filled with a team of 60 people. Upon joining the Office in April and working hand-in-hand with this team toward the finalization of this report, I quickly gained an appreciation of the talented, experienced and dedicated professionals in the Provincial Audit Office. This report is a product of their hard work in serving both the Members of the Legislative Assembly and the citizens of Saskatchewan.

The work in this report was initiated and executed under the leadership of my predecessor, Mr. Brian Atkinson, Acting Provincial Auditor. Mr. Atkinson served the people of Saskatchewan for over 35 years, including 11 years as Assistant Provincial Auditor and his last year as Acting Provincial Auditor following the retirement of Mr. Fred Wendel in April 2010. On behalf of the Office, I thank him for his many years of dedicated service to the citizens of Saskatchewan. We wish him a very happy retirement.

On behalf of the Office, I also thank the many individuals in the ministries, the crown corporations, school divisions, regional health authorities and other agencies for their cooperation with the Office. As well, thanks to the appointed auditor community who also worked cooperatively with our Office.

Report contents

As you will see, the chapters that follow span a broad range of the public sector—from health and justice to highways and education—and cover a variety of topics such as the granting of privileges to physicians and bridge maintenance. As well, this report contains our first public report on school divisions since *The Education Act, 1995* was amended and our Office became responsible to audit school divisions effective April 1, 2009. Our chapter on school divisions recognizes their significant

improvement in financial reporting for their stakeholders over the past year.

The chapters result from a variety of work such as:

- ◆ Annual audits, where we provide opinions on the adequacy of internal controls, compliance with authorities and the reliability of financial statements. This work may involve working closely with appointed auditors of government agencies.
- ◆ Performance audits that conclude on the adequacy of key results or processes.
- ◆ Follow-up work where management's action on recommendations from prior audits is examined to determine if recommendations have been implemented.

Work performed covered 137 government agencies, including crown corporations and school divisions. Other than school divisions, most had December year-ends. (See Appendix 2 for entities audited in this reporting period). Chapters contain information on entities where there are reportable issues.

This report contains 49 new recommendations that in many cases focus on the protection of people and infrastructure (as in the case of Corrections, Public Safety and Policing, Highways and Infrastructure, and the Regional Health Authorities) and improving information technology security and disaster recovery processes (as in the case of PA Parkland, school divisions, SaskTel, and SaskWater).

We conducted follow-up work on 46 recommendations from past audits. These are contained in a number of the chapters. Of those recommendations, 21 have been fully implemented, 16 have been partially implemented, and 9 have not yet been implemented.

As an Office, we trust that our work provides the Members of the Legislative Assembly, and the Standing Committees on Public Accounts and on Crown and Central Agencies with useful information to assist them in serving the citizens of Saskatchewan.

The following section provides a synopsis of the contents of the chapters in this report.

Chapter highlights

Chapter 2 – Advanced Education, Employment and Immigration – Risk management processes

The Ministry is responsible for managing risks related to post-secondary education, student support programs, training and employment services, and immigration services. Our objective was to assess the adequacy of the Ministry's agency-wide risk management processes during September 1, 2010 to February 28, 2011.

We concluded that the Ministry had adequate processes for agency-wide risk management except for its processes to monitor risks.

Timely information is important to monitor risks. Monitoring outcomes could help the Ministry take prompt action to address significant changes in key risks.

Chapter 3 – Corrections, Public Safety and Policing – Rehabilitating adult offenders in the community

The Ministry is responsible for delivering programs and services to rehabilitate adult offenders in the community. Our objective was to assess whether the Ministry had adequate processes for the 12 months ended December 31, 2010 to rehabilitate adult offenders serving a community sentence.

We concluded that during 2010, the Ministry had adequate processes to rehabilitate adult offenders likely to repeat crimes (including serious or violent crimes) who were serving a community sentence in the Regina Qu'Appelle Region with the following exceptions:

- ◆ Policies were not consistently followed for the timely completion of risk assessments and integrated case management plans, for maintaining sufficient contact between high-risk adult offenders and probations officers or alternates, and for preparing regular progress reports for adult offenders
- ◆ Management did not monitor whether high-risk adult offenders had timely access to priority community rehabilitation programs

Chapter 1 – Introduction

- ◆ A policy was not in place to evaluate rehabilitation programs for high-risk adult offenders
- ◆ Criteria were not in place to select rehabilitation services provided by other agencies and evaluate if high-risk adult offenders benefit from these services

The Ministry had designed many good processes to rehabilitate adult offenders in the community, but it did not consistently implement its processes for all high-risk adult offenders. If offenders do not receive rehabilitation services that meet their needs at the right time, they are more likely to commit further offences.

Chapter 4 – Education – School divisions

Because of changes to *The Education Act, 1995*, school divisions became part of the Government reporting entity and our Office became responsible to audit them.

For the year ended August 31, 2010, we audited school divisions' financial statements, processes to safeguard public resources, and compliance with authorities. We found that school divisions had made significant progress in improving the measurement, presentation and disclosure of their financial statements compared to the previous year.

In this chapter, we make 11 recommendations to assist school divisions in improving their practices and accountability. We encourage school divisions to review these recommendations and, where applicable, apply them in their operations.

Chapter 5 – Government Services

Processes to plan accommodation

The Ministry is responsible to provide accommodation for certain government agencies (clients) and to maintain its buildings. Our objective was to assess whether the Ministry had adequate processes for the year ended March 31, 2011 to plan accommodation for client agencies.

We concluded that the Ministry had adequate processes to plan accommodation for client agencies except that it needs to prepare an

overall accommodation plan, including a risk assessment and then monitor implementation of that plan.

The Ministry needs to analyze the combined needs of its clients to identify all opportunities and/or pressures that it will face in fulfilling its clients needs.

Processes to maintain buildings – A follow-up

We followed-up five recommendations from our 2009 audit of the Ministry's processes to maintain its buildings. The Ministry still has work to do in each of the five recommendations.

Chapter 6 – Highways and Infrastructure – Keeping bridges in good repair

The Ministry of Highways and Infrastructure is responsible for maintaining approximately 800 bridges that are a part of the provincial highway system. Our objective was to assess the adequacy of the Ministry's processes to keep bridges within the provincial highway system in good repair. We assessed the processes in place for the year ended March 31, 2010.

We concluded that while the Ministry had adequate processes to keep bridges within the provincial highway system in good repair, it needs to:

- ◆ Maintain up-to-date bridge management system records for use in making decisions about planned and required maintenance
- ◆ Document the key bridge maintenance planning processes and the overall bridge maintenance plan
- ◆ Set and use long-term service objectives to prioritize bridge maintenance activities
- ◆ Provide a report to help senior management monitor the results of bridge maintenance and inspection activities each year

Doing the right maintenance at the right time maintains safety and reduces long-term costs.

Chapter 7 – Information Technology Office – Measuring benefits of IT consolidation – A follow-up

We followed up five recommendations made in our 2009 audit that examined whether the Information Technology Office improved information technology services through consolidation and provided those services at a lower cost. Action has been taken on all of the recommendations. Three have been fully implemented and more work needs to be done on the remaining two recommendations.

Chapter 8 – Justice and Attorney General

Regulating Credit Unions

The Registrar, appointed under *The Credit Union Act, 1998* is responsible for supervising the regulation of credit unions in Saskatchewan. Our objective was to assess whether the Registrar of credit unions had adequate processes for the year ended December 31, 2010 to fulfill its responsibilities to supervise the regulation of credit unions.

We concluded that the Registrar had adequate processes to supervise the regulation of credit unions during 2010. We made one recommendation to clarify whether the Registrar carries out its responsibilities as an individual or as a part of the Saskatchewan Financial Services Commission.

Superintendent of Pensions – A follow-up

We followed up two recommendations stemming from our 2004 audit that examined if the Superintendent had adequate processes to supervise pension plans. These recommendations have been implemented.

Chapter 9 – Municipal Affairs

As part of an annual audit, we recommended that the Northern Municipal Trust Account (NMTA) needs to follow its established procedure to prepare accurate and timely financial and performance reports. NMTA complied with its governing authorities and its 2010 financial statements are reliable.

Chapter 10 – Prairie North Regional Health Authority – Granting medical privileges

The Regional Health Services Act makes regional health authorities responsible to grant medical privileges to physicians. Medical privileges give physicians access to equipment, staff, and other hospital resources. Medical privileges specify exactly which medical procedures the physician has the education, skill, and experience to perform safely.

Our objective was to assess whether the Prairie North Regional Health Authority had adequate processes to grant medical privileges to physicians during the 12 months ended January 31, 2011.

We concluded that the Prairie North Regional Health Authority did not have adequate processes to grant medical privileges to physicians in hospitals during this period. It did not:

- ◆ Set requirements for physicians doing special procedures or practicing as specialists
- ◆ Obtain all required documents before granting medical privileges
- ◆ Conduct reference checks for physicians applying for medical privileges in its hospitals for the first time
- ◆ Analyze physicians' compliance with medical privileges granted and revise as necessary
- ◆ Seek its Board's approval for all medical privileges
- ◆ Monitor whether its processes to grant medical privileges align with its bylaws
- ◆ Clarify responsibilities for granting medical privileges of the chief of medical staff and committees in each community

We made seven recommendations to improve Prairie North's processes. Granting medical privileges to physicians who are not adequately qualified could result in harm to patients. We encourage other regional health authorities to use the criteria described in this chapter to assess their own processes for granting medical privileges.

Chapter 11 – Prince Albert Parkland Regional Health Authority (PA Parkland) – Securing IT systems and data

PA Parkland uses information technology (IT) systems and data for admissions, treatment records, laboratory results, prescription

Chapter 1 – Introduction

information, and finances. PA Parkland has two main service providers managing its systems and data.

Our objective was to assess whether PA Parkland had adequate processes to secure its IT systems and data for the period August 1, 2010 to January 31, 2011.

We concluded that PA Parkland had adequate processes to secure its IT systems and data except that it needs to restrict physical access to its systems and data, maintain its disaster recovery plan, and monitor whether its IT service providers meet its security requirements.

Physical access controls protect computers and network devices from unauthorized access and disaster recovery plans ensure systems and data are available when needed. Inadequate security of IT systems and data increases the risk that patients' medical records could be lost, inaccurate, compromised, or not available when needed, resulting in incorrect decisions and mistakes in patient care. Inadequate security could also lead to inappropriate disclosure of patients' medical records.

Chapter 12 – Public Service Commission (PSC)

Staffing out-of-scope positions – Classified division

PSC is responsible for representing the public interest in the administration of *The Public Service Act, 1998* (Act). One of the purposes of the Act is to maintain an independent and professional public service. The Act makes PSC responsible for staffing positions within the classified division.

Our objective was to assess whether out-of-scope positions within the classified division were staffed, during the 12 months ended August 31, 2010, in compliance with the Act and regulations.

We concluded that, during the 12 months ended August 31, 2010, out-of-scope classified positions were staffed in compliance with the Act and the regulations.

Human resource/payroll security audit

PSC is responsible for the Multi-informational Database Applications system - human resources and payroll (i.e., MIDAS HR/Payroll). User agencies rely on PSC, as a service provider, to have adequate central controls and carry them out properly. Therefore, we conduct this audit on an annual basis.

Our objective was to assess whether PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/Payroll for the 12 month period ended December 31, 2010.

We concluded that during 2010, PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/Payroll except that service level agreements with ministries need to assign responsibilities for key payroll activities. As well, PSC needs to consistently document its review of payroll reports and the resolution of matters resulting from this review. Clear understanding of responsibilities, and the review and follow-up of payroll reports would reduce the risk of potential payroll errors arising.

Chapter 13 – Saskatchewan Gaming Corporation (SaskGaming)

SaskGaming manages and operates Casino Regina and Casino Moose Jaw under the regulatory authority of the Saskatchewan Liquor and Gaming Authority.

Resulting from its annual audit, we concluded that SaskGaming complied with its governing authorities and its 2010 financial statements are reliable. In addition, SaskGaming had adequate rules and procedures to safeguard public resources and those of SGC Holdings except SaskGaming needs additional processes to ensure effective controls are in place over the provision of information under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations. Additional processes would reduce the risk of incomplete or inaccurate submissions of information.

Chapter 14 – Saskatchewan Power Corporation (SaskPower)

SaskPower is the principal supplier of electricity in Saskatchewan, operating primarily under the mandate and authority of *The Power Corporation Act*. SaskPower's mission is to deliver power in a safe, reliable, and sustainable manner. Its consolidated financial statements include the financial results of SaskPower and its subsidiaries - NorthPoint Energy Solutions Inc. (Northpoint), Power Greenhouses Inc. and SaskPower International Inc. As well, SaskPower sponsors the Power Corporation Superannuation Plan.

We continue to recommend that NorthPoint establish a training program to provide its staff with ongoing training on market rules and on NorthPoint's processes to monitor compliance with those rules in order to reduce the risk of the contravention of market rules. As well, the Power Corporation Superannuation Plan needs to monitor the Public Employees Benefits Agency's fulfilment of its assigned administration responsibilities related to the Plan to ensure this service provider fulfills its responsibilities.

Chapter 15 – Saskatchewan Research Council (SRC)

The mission of SRC is to deliver "...smart science solutions, with unparalleled service to clients and colleagues, that grow and strengthen the economy." This chapter describes our conclusions about SRC Employee's Pension Plan (Plan) and our follow-up of management's actions to implement the two recommendations we made in 2009 about SRC's risk management processes. SRC had adequate rules and procedures for the Plan to safeguard public assets. The Plan's financial statements were reliable and it complied with its relevant authorities. SRC has implemented both of our 2009 recommendations.

Chapter 16 – Saskatchewan Telecommunications Holding Corporation (SaskTel)

SaskTel markets and supplies a range of voice, data, internet, wireless, text, image, security and entertainment products, systems and services.

This chapter discusses the results of our 2010 audits of SaskTel, the companies it owns, and its Pension Plan and our follow-up on SaskTel's wireless network security.

Overall, we concluded that SaskTel's financial statements are reliable, they complied with their governing authorities and they had adequate rules and procedures to safeguard public resources except that SaskTel needs to improve security over customer credit card information.

In 2009, during an audit of SaskTel's wireless network controls, we concluded that SaskTel did not have adequate wireless network security controls and made seven recommendations. In 2011, we followed-up on these recommendations. SaskTel has many actions planned or underway to improve wireless security, but it needs to complete these actions.

Chapter 17 – Saskatchewan Water Corporation (SaskWater)

SaskWater's mandate is to construct, acquire, manage, or operate waterworks and provide services in accordance with the agreements it makes under its Act.

We concluded SaskWater complied with its governing authorities and its 2010 financial statements are reliable. It had adequate rules and procedures to safeguard public resources except for the matters reflected in our six recommendations. We made these recommendations in our 2010 Report – Volume 1. SaskWater has made limited progress to address them.

SaskWater needs to:

- ◆ Approve an adequate IT security policy
- ◆ Sign an IT service agreement with its IT service provider
- ◆ Monitor the adequacy of the security controls used by its IT provider
- ◆ Periodically verify the existence and valuation of its physical assets
- ◆ Establish code of conduct policies
- ◆ Require criminal record checks for its employees in positions of trust

Chapter 1 – Introduction

Implementing these recommendations would help reduce the risk to IT systems of unauthorized access, ensure properly valued assets exist, and would communicate human resource expectations.

Chapter 18 – Saskatoon Regional Health Authority (Saskatoon) – Maintaining medical equipment

Saskatoon is responsible for the overall quality of care for its patients. To be able to provide a high level of patient care, Saskatoon makes extensive use of medical equipment to help diagnose and treat patients.

Our objective was to assess whether Saskatoon had adequate processes to maintain its medical equipment in three Saskatoon hospitals and the Humboldt District Hospital during the 12 months ended February 28, 2011.

We concluded that Saskatoon had adequate processes to maintain its medical equipment in three Saskatoon hospitals and the Humboldt District Hospital except it needs to establish written policies and procedures for maintaining medical equipment. Doing so, will further contribute to ensuring that medical equipment is properly maintained.

Chapter 19 – Social Services – Saskatchewan Housing Corporation (SHC)

The Ministry of Social Services, through the Saskatchewan Housing Corporation (SHC), seeks to promote self-sufficiency and independence by providing housing and housing services for families, seniors, persons with disabilities and others who could not otherwise afford safe and secure shelter.

We concluded that SHC complied with its governing authorities and its financial statements are reliable. As well, SHC had adequate rules and procedures to safeguard public resources except that it needs to take steps to ensure its business continuity plan works.

Chapter 20 – Standing Committee on Crown and Central Agencies

Through its work and recommendations, this Standing Committee helps the Assembly hold the Government accountable for its management of

the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries. The Standing Committee asks our Office to assess and report on the status of the recommendations it makes because of our audit work.

The Government has implemented almost all of the Committee's recommendations related to the work of our Office. At March 31, 2011, the Committee had six recommendations outstanding.

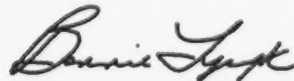
The Assembly permanently refers chapters of our reports related to CIC and its subsidiaries and subsidiary annual reports within its subject area to the Committee for its review. The Committee needs to review the chapters about CIC and its subsidiaries and annual reports within its subject area for the years 2008, 2009 and 2010.

Chapter 21 – Workers Compensation Board (WCB) – Injury prevention and safety – A follow-up

The WCB operates under *The Workers' Compensation Act, 1979 (Act)*. The Act establishes a mandatory no-fault compensation program for Saskatchewan workers. The members of the WCB Board are responsible for administration of the Act.

We followed up on management's progress to address our past five recommendations from our audit in the 2008 Report – Volume 3 that assessed WCB processes to ensure that recipients of money for injury, prevention and safety use the money for its intended purposes. WCB has implemented all of these recommendations.

As previously noted, this Office fulfills its responsibilities through the dedicated efforts of its staff. Their knowledge and commitment made this report possible. The following exhibit lists our team.



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Provincial Auditor

Exhibit

Our team at the Office of the Provincial Auditor for Saskatchewan is:

Ahmad, Mobashar
Anderson, Mark
Atkinson, Brian
Bachelu, Gaylene
Bhat, Venkatesh
Birss, Willie
Borys, Angèle
Clark, Diana
Clemett, Tara
Deis, Kelly
Dickin, Deann
Dressler, Nicole
Drotar, Charlene
Fawcett, Mark
Ferguson, Judy
Funk, Curtis
Grabarczyk, Rod
Griffiths, Clinton
Halladeen, Aaron
Hamilton, Scott
Hansen, Melissa
Harasymchuk, Bill
Heebner, Melanie
Heffernan, Mike
Hungle, Angie
Iles, Amanda
King, Mark
Knox, Jane
Kress, Jeff

Lindenbach, Michelle
Lowe, Kim
Maynes, Laura
McIntyre, Mitchell
Montgomery, Ed
Novakovski, Jade
Nyhus, Glen
Ochieng, Jennifer
O'Quinn, Carolyn
Pattullo, Candice
Pituley, Jonathan
Rau, Brent
Russell, Stephanie
Rybchuk, Corrine
Schlamp, Perry
Schwab, Victor
Shaw, Jason
Shorten, Karen
Slatnik, Jennifer
Sommerfeld, Regan
St. John, Trevor
Stroh, Evan
Sych, Larissa
Tomlin, Heather
Volk, Rosemarie
Watkins, Dawn
Weyland, Grant
Yee, Ken

Advanced Education, Employment and Immigration

2

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Main points

The Ministry of Advanced Education, Employment and Immigration (Ministry) is responsible for managing risks related to post-secondary education, student support programs, training and employment services, and immigration services. The Ministry has adopted formal, agency-wide risk management processes.

Our audit found the Ministry's risk management processes were actively changing and were adequate during September 2010 to February 2011 except for its processes to monitor risks. We provided three recommendations.

Introduction—Managing risk in a changing environment

The Ministry of Advanced Education, Employment and Immigration (Ministry) is responsible for post-secondary education, student support programs, training and employment services, and immigration services. In 2010-11, it spent about \$936 million to carry out its mandate.¹

We audited the adequacy of the Ministry's agency-wide risk management processes.

All agencies face risks in achieving their objectives. Risks are missed opportunities or adverse events that could influence an agency's ability to meet its strategic objectives.² Risk management is the culture, processes, and structures that are directed towards realizing potential opportunities while managing adverse events.

Agency-wide risk management processes consider risks to the entire agency and their impact on major stakeholders as well as interactions among risks across the agency. The Ministry works with many external stakeholders (e.g., universities, regional colleges, SIAST, First Nations agencies, community organizations, and federal and provincial governments). The co-operation of these external stakeholders is essential for the Ministry to carry out its roles related to education, training, and immigration.

The Ministry is responsible to manage risks in a complex environment. Changes in the economy could influence post-secondary education, employment services, and immigration. Failure to identify and respond to risks from a broad perspective could have widespread and serious consequences. The Ministry needs good risk management processes to help it adapt to changing circumstances and take full advantage of opportunities while reducing threats to reasonable levels.

Audit objective, criteria, and conclusion

The objective of this audit was to assess the adequacy of the Ministry of Advanced Education, Employment and Immigration's agency-wide risk management processes during September 1, 2010 to February 28, 2011.

¹ Ministry of Advanced Education, Employment and Immigration interim financial reports 2010-11.

² ISO Risk Management Standard 31000: 2009.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*. To evaluate the Ministry's processes, we used the criteria set out in Exhibit 1.

We based these audit criteria primarily on the International Organization for Standardization's *Risk Management Standard 31000: 2009* and on the work of other auditors and current literature listed in the selected references. The Ministry agreed with the criteria.

Exhibit 1: Criteria

To have adequate processes for risk management, the Ministry should:

1. Identify risks
 - ◆ Build a common understanding (context) for risk management
 - ◆ Establish a comprehensive list of risks for each objective
 - ◆ Identify potential causes of risks or missed opportunities
2. Analyze risk likelihood and impact
 - ◆ Identify likelihood each risk will occur in short, mid, and long-term
 - ◆ Identify positive and negative impacts
 - ◆ List risks excluded due to low impact
3. Evaluate risk tolerance
 - ◆ Decide criteria for risk tolerance
 - ◆ Set priorities for risk treatment
 - ◆ Discuss with relevant stakeholders
4. Treat key risks
 - ◆ Identify options for treating priority risks
 - ◆ Assess cost and suitability of optional treatments
 - ◆ Select risk treatment plans
 - ◆ Communicate risk treatment plans to stakeholders
5. Monitor risks
 - ◆ Report action taken on risk treatment plan
 - ◆ Review outcomes of risk treatment and record residual risks
 - ◆ Review risk processes and record lessons learned

The Government's accountability framework suggests that ministries use a risk management process. During 2010 to 2011, the Ministry was actively changing its approach to risk management (e.g., from program-based to agency-wide). Its risk management processes were evolving.

We concluded that during September 1, 2010 to February 28, 2011, the Ministry of Advanced Education, Employment and Immigration

had adequate agency-wide risk management processes except for its processes to monitor risks.

Key findings and recommendations

We highlight what we expected (our criteria) in italics followed by our key findings and recommendations.

Risks identified

We expected the Ministry to build a common understanding for risk management among its staff (e.g., clarify agency-wide context, define key terms). We expected the Ministry to have processes to identify risks in relation to its broad objectives and identify potential causes of risks or missed opportunities.

The Ministry's risk management framework and policy created a foundation for a common understanding of risk management. The risk management framework expected staff would systematically identify risks for the whole Ministry. The risk management policy set out roles for the Deputy Minister's office³ (e.g., oversight, setting priorities), the executive management committee (e.g., assign risk owners, identify risks, reporting, training), and coordinating groups. Involving senior management in this way supports an agency-wide context for risk management.

A September 2010 workshop informed 47 Ministry managers about new agency-wide risk management processes. Reading material for the workshop communicated relevant definitions that helped build a common understanding of risk management.

The Ministry identified risks in the context of its mandate, annual plan, and a review of current issues. It identified risks that could interfere with achieving its plans. The Ministry did not document the relationship of its risks to specific strategic objectives or priorities (see Exhibit 2). Documenting this relationship would help the Ministry ensure it has identified risks for each of its objectives to form a comprehensive list of risks.

³ The Deputy Minister and assistant deputy ministers oversee risk management as members of the Executive Audit Committee which meets quarterly.

Exhibit 2: Excerpt from p. 3 of the Ministry's Plan for 2011-12

The Ministry of Advanced Education, Employment and Immigration's strategic objectives include the following:

- ♦ Ensure a skilled workforce to meet existing and future labour market demand
- ♦ Support increased attraction and retention of newcomers to Saskatchewan
- ♦ Improve the effectiveness and efficiency of the Ministry's programs, services, and systems to ensure the best use of public funds

Source: <http://www.finance.gov.sk.ca/PlanningAndReporting/2011-12/AEEIPlan1112.pdf>

The Ministry stated its risks in a way that included the primary cause of the risk. For example, one of the Ministry's risk statements was:

Lack of a comprehensive human resource strategy to manage Ministry human resources resulting in an inability to meet Ministry objectives due to inefficient and ineffective management of human resources.⁴

Risk likelihood and impact analyzed

We expected the Ministry to have processes to analyze the likelihood and impact of risks in the short, mid, and long-term and to identify positive and negative impacts. We expected the Ministry to list the low-impact risks that it did not analyze in detail.

The Ministry's risk management policy expects staff will analyze the likelihood of risks and will consider positive opportunities as well as negative impacts. In 2010, the Ministry implemented a risk matrix. The risk matrix required analysis of the likelihood and impact of significant risks within one year, five years, and ten years. The risk matrix guided staff to analyze likelihood ranging from unlikely to almost certain. It also guided analysis of risk impacts ranging from negligible to catastrophic for various types of risk.

The Ministry's risk matrix contained good guidance related to negative impacts (e.g., service delays, fraud). The risk matrix did not yet guide staff to consider positive impacts or opportunities that could affect the Ministry's objectives (e.g., advanced technology could make service delivery more timely). Identifying positive impacts could help the Ministry explore opportunities that it may be missing.

⁴ Ministry of Advanced Education, Employment and Immigration: 2010 risk workshop, statements of risk.

Using the risk matrix, the Ministry analyzed the likelihood that identified risks would occur and the potential impact of these risks on the Ministry's ability to achieve its objectives. It assigned a risk rating score to each risk. The rating score reflected whether the risk was more likely to occur within three, five, or ten years and its probable impact on the Ministry's ability to achieve its goals.

The Ministry had not yet listed the risks it anticipated would have a low impact. Such a list would clearly show which risks would not be analyzed in detail. Instead, the Ministry focused on its priorities for action.

Risk tolerance evaluated

We expected the Ministry to have processes to evaluate risk tolerance by setting criteria for how much risk the Ministry should tolerate or accept. We expected the Ministry to use its risk-tolerance criteria to set priorities for risk treatment and to discuss its risk tolerance with relevant stakeholders.

To explain its risk tolerance, the Ministry used a heat map or chart showing the level at which it would consider risks acceptable (green) or unacceptable (red). Using its risk rating scores, the Ministry placed its most serious risks on a heat map. This approach gave staff some general guidance on the Ministry's tolerance for various types of risks (financial, operational, legal, human resources, technology, etc.).

The Ministry's risk management policy expected senior management to direct resources to areas of greatest risk or opportunity. Using the risk rating scores and other information, senior management judged which risks were its key priorities. The Ministry identified four priority risk areas—program evaluation, human resources, information technology, and third party accountability relationships.

Senior management communicated these top priority risks through managers who attended the September 2010 risk workshop. The Ministry communicated informally with its major external stakeholders (e.g., universities, regional colleges) but seldom discussed its risk tolerance.

Plans for treating key risks are evolving

We expected the Ministry to have processes to identify options for treating key risks and assess their cost and suitability. We expected the Ministry to decide how to treat key risks (risk treatment plans) and communicate these plans to relevant stakeholders.

In January 2010, the Ministry's senior management discussed four potential options to treat risks (i.e., avoid the risk, reduce it, transfer the risk to others, or accept the risk). Taking this perspective on managing risks would help the Ministry consider a wide range of options. The Ministry communicated these alternative ways of treating risks to its managers prior to its September 2010 risk workshop.

The Ministry had varied processes for developing options to treat its priority risks. For example, senior management regularly discussed human resources risks. The Ministry began an organizational review to consider options for re-structuring its human resources and addressing its human resources risks. An information technology steering committee was gathering information and exploring options related to the Ministry's information technology risks.

The Ministry did not document the options discussed, their costs, or suitability. Documenting these options would make the Ministry's decision processes more efficient and highlight areas where the Ministry needs further analysis of costs and suitability.

- 1. We recommend that the Ministry of Advanced Education, Employment and Immigration document its assessment of the cost and suitability of options for treating its priority risks.**

In early 2011, the Ministry was in the process of developing risk treatment plans for its priority risks. Senior management received a written framework about program evaluation across the Ministry. The framework included some goals and listed completed and proposed program evaluations. This framework formed a base for a risk treatment plan for program evaluation. Senior management also received a similar framework to address third party relationships and accountability reports

including reports required by law.⁵ Ministry committees were actively working toward risk treatment plans for its information technology and human resources risks.

The Ministry did not have a formal process to communicate with relevant external stakeholders about its priority risks and how the Ministry planned to reduce these risks or explore new opportunities. Actions taken by other organizations influence the Ministry's ability to achieve its objectives. Consulting with its major stakeholders could provide additional information and opportunities to share risks with others. Collaboration with key stakeholders could help the Ministry manage its risks in a more timely and economical way.

2. **We recommend that the Ministry of Advanced Education, Employment and Immigration consult with relevant stakeholders about options for reducing significant risks.**

Key risks not yet monitored regularly

We expected the Ministry to have processes to regularly monitor its actions to manage key risks. We expected the Ministry to review the outcomes after treating risks (e.g., in terms of reducing risks, increasing opportunities, recording residual risks that remain). We expected the Ministry to review its risk management processes periodically and record lessons learned.

The Ministry's December 2010 risk management policy required quarterly reports to senior management to monitor actions taken on identified risks. The Ministry was in the process of determining how to implement this policy. In early 2011, senior management received verbal reports. The Ministry did not have a process to provide timely written reports to help senior management monitor key risks.

For example, minutes showed senior management often discussed actions taken to address program evaluation and human resources risks. Senior management told us they did not receive written reports to monitor outcomes or residual risks remaining after its efforts to control key risks.

⁵ For example, in April 2011, the Ministry released a review of regional colleges that is required by *The Regional Colleges Act* section 6(1) every five years. *Saskatchewan's Regional Colleges: Towards a New System* (the Atkinson Report) is available at <http://www.aeei.gov.sk.ca/regional-college-review-report>.

Timely information is important to monitor key risks. Monitoring outcomes could help the Ministry take prompt action to address significant changes in key risks.

- 3. We recommend that the Ministry of Advanced Education, Employment and Immigration regularly monitor and report to senior management the results of their risk management activities.**

During our audit period, senior management reviewed its planned processes for agency-wide risk management. For example, it evaluated its September 2010 risk workshop. Senior management discussed what worked and what did not. During our audit period, it did not have a formal process for documenting the lessons it learned about its risk management processes.

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Corrections, Public Safety and Policing

3

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Main points

The Ministry of Corrections, Public Safety and Policing (Ministry) is responsible to deliver programs and services to rehabilitate adult offenders in the community. If offenders do not receive rehabilitation services that meet their needs at the right time, they are more likely to commit further offences.

Our audit focused on the Ministry's rehabilitation processes in the Regina Qu'Appelle Region. The Ministry of Corrections, Public Safety and Policing had designed many good processes to rehabilitate adult offenders in the community. However, it did not consistently implement its processes for all high-risk adult offenders. The Ministry needs to make improvements. As such, we concluded that during 2010, the Ministry had adequate processes to rehabilitate adult offenders likely to repeat crimes (including serious or violent crimes) who were serving a community sentence in the Regina Qu'Appelle Region with the following exceptions:

- ◆ Policies were not consistently followed for the timely completion of risk assessments and integrated case management plans, sufficient contact between high-risk adult offenders and probation officers or alternates, and preparation of regular progress reports for adult offenders
- ◆ Management did not monitor whether high-risk adult offenders have timely access to priority community rehabilitation programs
- ◆ A policy was not in place to evaluate rehabilitation programs for high-risk adult offenders
- ◆ Criteria were not in place to select rehabilitation services provided by other agencies and evaluate if high-risk adult offenders benefit from these services

Introduction—Rehabilitating adult offenders in the community

The Ministry of Corrections, Public Safety and Policing (Ministry) operates under *The Correctional Services Act* and *The Correctional Services Administration, Discipline and Security Regulations, 2003*. The mandate of the Ministry is to promote safe and secure communities in Saskatchewan.¹ Its responsibilities include delivering programs for individuals in conflict with the law. The Ministry uses a variety of programs and services to rehabilitate offenders in correctional centres and in the community.

In our 2008 Report – Volume 1, we reported on the Ministry's processes to rehabilitate sentenced adult inmates in provincial correctional centres. This audit examined the Ministry's processes to rehabilitate offenders in the community. The Ministry spent approximately \$105 million on adult corrections services in 2009-10, including approximately \$13 million on community operations.²

Background

Saskatchewan has the highest per capita crime rate in Canada.³ Community rehabilitation of adult offenders aims to reduce re-offending by helping offenders return to work and contribute to their community. If offenders do not receive rehabilitation services that meet their needs at the right time, they are more likely to commit further offences.⁴ The Ministry reports that, in 2009-10, 47% of sentenced offenders were re-admitted to a correctional program within 24 months. This percentage has remained relatively stable since 2001-02.⁵

Since the 1980s, international research has shown that correctional centres and other sanctions do not reduce crime if used alone. Factors found to reduce criminal behaviour include assessment of risk and needs, timely and effective services, and community supervision.⁶

¹ Ministry of Corrections, Public Safety and Policing, *09-10 Annual Report*, p. 6.

² *Ibid.*, p. 26.

³ QED Information Systems. (July 2010). *Sask Trends Monitor*, p. 5.

⁴ Canadian Criminal Justice Association. *Prison overcrowding and the reintegration of offenders*.

⁵ Ministry of Corrections, Public Safety and Policing, *09-10 Annual Report*, p. 17.

⁶ Solomon, et al. *Putting public safety first: 13 parole supervision strategies to enhance re-entry outcomes*.

While enforcing sanctions, the Ministry aims to keep communities safe by rehabilitating offenders with various services. The Ministry works directly with offenders serving community sentences to reduce pro-criminal thinking and promote positive social behaviours. It refers offenders to other agencies for treatment programs (e.g., addictions, mental illness) or for further education and employment skills. In combination, these services help reduce crime and keep communities safe.

Services to rehabilitate offenders vary in response to offender needs (e.g., pro-criminal attitudes, significant drug abuse) and the resources available in each of the Ministry's seven regions. During 2009-10, the Ministry was responsible for supervising about 6,200 offenders per day in community correctional programs across its seven regions.⁷ The Regina-Qu'Appelle Region is responsible for about 1,700 of these offenders.⁸

The Ministry employs about 130 probation officers, including about 30 in the Regina Qu'Appelle Region. Probation officers administer court orders (e.g., monitor electronic surveillance, curfews, attendance at programs). The probation officers gather information for the courts, refer offenders for rehabilitation services provided by others, and deliver services (e.g., anger management, problem solving, interaction skills).

Exhibit 1 sets out key terms used by the Ministry and throughout this report.

Exhibit 1—Definition of key terms

High-risk adult offender - adult offender likely to repeat crime

Integrated case management – a collaborative and co-ordinated team approach to managing an offender's sentence. It involves all internal personnel actively engaged with an offender, as well as partners outside of the Ministry.⁹

Rehabilitate – to target and reduce those factors that contribute to criminal behaviour. These factors include pro-criminal attitudes, significant drug and alcohol abuse, inadequate education, lack of consistent employment and family supports, involvement with pro-criminal companions, and anti-social behaviour patterns.¹⁰

⁷ Ministry of Corrections, Public Safety and Policing, *09-10 Annual Report*, p. 13.

⁸ Adult Corrections Information Management System, 2009 data.

⁹ Integrated case management policy (2005), p. 1.

¹⁰ Auditor General New South Wales. (May 2006). *Prisoner Rehabilitation*: Department of Corrective Services. New South Wales.

Rehabilitation practices – skills and actions used by corrections staff to rehabilitate offenders (e.g., interaction skills, effective reinforcement or disapproval, problem solving).

Rehabilitation programs – services, activities, or training provided for offenders to reduce criminogenic needs or risk factors identified in risk assessment (e.g., addiction services, anger management, abuse prevention, revising thinking patterns).

Rehabilitation strategies – processes designed to help corrections staff rehabilitate offenders effectively (e.g., risk assessment, integrated case management, staff training, core correctional practices).

Serious violent offender – an offender who has committed a violent crime. The offenses include assault with a weapon, aggravated assault, sexual assault with a weapon, aggravated sexual assault, abduction, robbery with firearms, robbery with other weapons, robbery with no weapons and offenses of kidnapping or any sexual offenses involving child victims. Source: Statistics Canada Canadian Centre for Justice Statistics (Juristat Report Crime Statistics in Canada 2005).

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether the Ministry of Corrections, Public Safety and Policing had adequate processes for the 12 months ended December 31, 2010 to rehabilitate adult offenders serving a community sentence. We focused on the delivery of the Ministry's processes in the Regina Qu'Appelle Region to rehabilitate convicted offenders likely to repeat crimes (including serious or violent crimes).

Exhibit 2—Audit criteria for community rehabilitation

To rehabilitate adult offenders serving a community sentence, the Ministry of Corrections, Public Safety and Policing should:

- 1. Identify evidence-based practices to rehabilitate offenders**
 - 1.1. Assess external research to identify evidence-based practices
 - 1.2. Partner with external experts to validate selected practices
 - 1.3. Evaluate community rehabilitation strategies used in Saskatchewan
- 2. Use rehabilitation strategies relevant to offender needs**
 - 2.1. Assess offenders' rehabilitation needs consistently
 - 2.2. Use case management processes
 - 2.3. Allocate resources to priority rehabilitation strategies
 - 2.4. Train staff to use relevant strategies
 - 2.5. Partner with other agencies

3. Deliver rehabilitation programs at the right time

- 3.1. Identify priority programs for offender target groups
- 3.2. Monitor timely access to priority programming
- 3.3. Revise program delivery based on offenders' progress

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the Ministry's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. Management agreed with the criteria in Exhibit 2.

The Ministry of Corrections, Public Safety and Policing had designed many good processes to rehabilitate adult offenders in the community. However, it did not consistently implement its processes for all high-risk adult offenders. The Ministry needs to make improvements. As such, we concluded that during 2010, the Ministry had adequate processes to rehabilitate adult offenders likely to repeat crimes (including serious or violent crimes) who were serving a community sentence in the Regina Qu'Appelle Region with the following exceptions:

- ♦ Policies were not consistently followed for the timely completion of risk assessments and integrated case management plans, sufficient contact between high-risk adult offenders and probation officers or alternates, and preparation of regular progress reports for adult offenders
- ♦ Management did not monitor whether high-risk adult offenders have timely access to priority community rehabilitation programs
- ♦ A policy was not in place to evaluate rehabilitation programs for high-risk adult offenders
- ♦ Criteria were not in place to select rehabilitation services provided by other agencies and evaluate if high-risk adult offenders benefit from these services

Key findings and recommendations

We describe below what we expected (in italics) and our key findings for each of our three criteria, together with our recommendations.

Identifying evidence-based practices to rehabilitate offenders

We expected the Ministry to use research to decide how to rehabilitate offenders and partner with external experts to validate the selected rehabilitation practices. We expected the Ministry to evaluate the community rehabilitation strategies it uses.

The Ministry identified and validated evidence-based practices to rehabilitate adult offenders in the community, and evaluated how to effectively apply community rehabilitation strategies.

To identify effective rehabilitation practices, the Ministry assessed research from a variety of sources. The Ministry assigned experienced program directors to assess the research and select practices to use in Saskatchewan. The Ministry contracted with experts (e.g., from universities and other jurisdictions) to validate practices most likely to rehabilitate offenders effectively in Saskatchewan (e.g., interaction skills, problem solving).

A standardized program evaluation tool (Correctional Program Assessment Inventory) guided the Ministry when selecting new correctional strategies. The Ministry also evaluated community rehabilitation strategies periodically. In 2006 and 2008, the Ministry reviewed a sample of case files to assess if its staff adequately applied rehabilitation strategies such as case management. The Ministry took action on its findings.

Using relevant rehabilitation strategies

We expected the Ministry to use relevant rehabilitation strategies by assessing offenders' needs and applying case management processes. We expected the Ministry to allocate resources to priority rehabilitation strategies. To provide effective rehabilitation, we expected the Ministry to

train its staff appropriately or partner with appropriate community agencies.

The Ministry identified relevant rehabilitation strategies based on assessed offender needs, but did not use its strategies effectively.

The Ministry had adequate provincial policies guiding the rehabilitation strategies of risk assessment, case management, and community supervision of adult offenders. The policies expected corrections staff to use standardized assessment tools. The Ministry validated that these tools would correctly identify offenders' needs and risks. These tools helped probation officers consistently identify offenders' needs related to offending behaviour (e.g., theft, violence) and estimate the risk that offenders would commit further crimes. Probation officers created case management plans (case plans) based on these assessments of offenders' needs and risks.

The Ministry's policies required probation officers to complete risk assessments and case plans within six weeks of an offender starting a community sentence. Completing assessments and case plans promptly was essential as an average community sentence for offenders likely to repeat crimes (i.e., high risk) was about 50 weeks in the Ministry's Regina Qu'Appelle Region (Region).¹¹ Based on our file review, we found the Region often did not achieve the timely assessments and case planning required by the Ministry. Within the required six weeks, probation officers completed risk assessments for 50% of offenders and case plans for 30% of offenders. Within ten weeks from the start of the sentence, probation officers completed risk assessments for 60% of offenders and case plans for 50% of offenders. Within 26 weeks from the start of the sentence, risk assessments and case plans were completed for 90% of offenders.

To be relevant to addressing offenders' rehabilitation needs, assessments and case planning must be timely. If the Ministry does not complete risk assessments and case plans for offenders within six weeks as its policies require, offender rehabilitation may not be effective.

¹¹ Adult Corrections Information Management System – high risk offenders completing a community sentence in 2010.

- 1. We recommend that the Ministry of Corrections, Public Safety and Policing consistently follow its policy requiring risk assessments and case plans for adult offenders to be completed within six weeks of starting community sentences.**

To maximize rehabilitation efforts, the Ministry's case management policy required integrated case plans for offenders. Integrated case plans would address offenders' court orders including both provincial correctional centre and community sentences. The Ministry's policy required ongoing consultation between probation officers and caseworkers from provincial correctional centres. The Ministry expected this consultation would result in efficient case plans and would help smooth the transition of offenders into the community.

We found little evidence of consultation between the Region's probation officers in the community and caseworkers in correctional centres. Probation officers had access to case plans prepared in correctional centres but prepared new case plans for the community sentence. The new case plans did not recognize rehabilitation progress achieved in the correctional centre.

Many offenders move back and forth between the community and correctional centres (e.g., due to breached court orders or further offences). Using integrated case plans for offenders would make the content of the plans more comprehensive and support a more effective and efficient rehabilitation process.

- 2. We recommend that the Ministry of Corrections, Public Safety and Policing consistently follow its policy to use integrated case plans for adult offenders that coordinate rehabilitation strategies between the community and provincial correctional centres.**

The Ministry allocated some resources to priority strategies such as remedial contact with a probation officer. The Ministry's provincial supervision policy required high-risk offenders to have weekly contact

with a probation officer or an alternate.¹² The policy required that probation officers verify with alternates that the offender contacted them.

In the Region, offenders' case files often did not document weekly contact with the probation officer or alternates. Some offenders moved out of the Region or spent most of their time in a correctional centre. Of the high-risk adult offenders remaining in the community, our file review indicated a high percentage (83%) of offenders did not have sufficient contact with a probation officer or alternate. This is consistent with the Ministry's own review which showed that probation officers reported a significant proportion of offenders did not receive the amount of contact required by the Ministry's supervision policy.¹³ The extent of planned contact missed by the offender or not recorded by the probation officer varied. Contact with a skilled probation officer reduces reoffending.¹⁴

Regional managers used reports to monitor whether high risk and serious violent offenders received the contact required by the supervision policy. These reports indicated that the Region was not meeting the Ministry's supervision policy for high risk and serious violent offenders. The Region directed its probation officers to focus their efforts on the highest risk and most serious violent offenders. A regional directive should not weaken a provincial policy.

We recognize that not all high risk offenders will co-operate fully with probation officers. In accordance with the provincial supervision policy, the Ministry needs sufficient contact with offenders for effective rehabilitation and evaluation of offenders' progress in response to rehabilitation strategies.

- 3. We recommend that the Ministry of Corrections, Public Safety and Policing consistently follow its supervision policy for high-risk adult offenders in the community to have required contacts with probation officers or alternates.**

¹² An alternate is an informed designate (e.g., treatment provider, employer, police officer). The designate must know the supervision conditions and be considered reliable to provide the information required for supervision. Source: Ministry policy on Community Supervision Standards.

¹³ June 2010 Ministry review.

¹⁴ Solomon, et al. *Putting public safety first: 13 parole supervision strategies to enhance re-entry outcomes*.

Probation officers completed a mandatory training program and periodic refresher courses. This training helps them acquire and maintain the required knowledge and skills to interact with offenders effectively. For example, the Ministry trained probation officers to use the Ministry's risk assessment tools, case management processes, and relapse prevention tools. The Region also trained probation officers that it contracted through a Tribal Council to provide rehabilitation services to First Nations band members in a specific area. The Region reviewed files managed by the Tribal Council to monitor the supervision of offenders.

The Region worked with various community agencies to rehabilitate offenders. It did not have criteria (e.g., available when needed, effective) to select services from other agencies or periodically assess whether offenders benefited from those services. Criteria would help to clarify what the Ministry expects offenders should gain from those services and could facilitate relationships with other agencies over the long term. The Region used various processes to manage relationships with other agencies (e.g., involvement on committees). The Region monitored attendance to assess if offenders received planned services. It did not have processes to evaluate if the services provided met the Ministry's objectives and effectively contributed to offender rehabilitation.

- 4. We recommend that the Ministry of Corrections, Public Safety and Policing use criteria to select rehabilitation services provided by other agencies and evaluate if high-risk adult offenders in the community benefit from these services.**

Delivering rehabilitation at the right time

We expected the Ministry to identify priority rehabilitation programs for offender target groups and monitor whether offenders had timely access to these programs. We expected the Ministry to revise the rehabilitation programs it delivers based on the progress of offenders in the community.

The Ministry did not identify all priority programs for rehabilitating offender target groups or whether offenders had timely access to these programs. The Ministry revised some programs in response to offender progress.

The Ministry identified that high risk and serious violent offenders are important target groups for rehabilitation. The Ministry has begun using

relapse prevention planning which research suggests is important to rehabilitate high risk offenders.¹⁵ The Ministry had not identified which other types of programs are most critical for these offenders during the time of their community sentence. Monitoring access to the most critical programs to rehabilitate high risk offenders serving community sentences would help the Ministry deliver the right programs in a timely way.

- 5. We recommend that the Ministry of Corrections, Public Safety and Policing monitor whether high-risk adult offenders have timely access to priority community rehabilitation programs.**

An offender's case plan ranks the individual offender's needs and planned rehabilitation. Case plans expected offenders' needs would lead to multiple priorities and concurrent services. Case plans did not identify the amount or type of progress (e.g., behaviour change) probation officers expected offenders to achieve during their sentences. This lack of clear objectives makes it difficult for the Ministry to measure offenders' progress.

Probation officers monitored whether individual offenders received the programs listed in their case plans. Policies required probation officers to prepare progress reports at least every 120 days to document offender progress and show significant changes to case plans.¹⁶ Based on our file review, we found for 67% of offenders, probation officers did not complete progress reports as frequently as required by policy. We found 10% of completed progress reports did not document significant changes in the case plan that were highlighted elsewhere in the file. Also, another 10% of completed progress reports stated that offender behaviour had deteriorated but did not update the case plan or change rehabilitation strategies.

- 6. We recommend that the Ministry of Corrections, Public Safety and Policing consistently follow its case management policy to prepare regular progress reports for adult offenders in the community.**

¹⁵ Relapse prevention is a cognitive-behavioural approach to self-management that focuses on teaching individuals alternate responses to high-risk situations. Source: Dowden, et al. *The effectiveness of relapse prevention with offenders: A meta-analysis*.

¹⁶ The Ministry drafted an update to its case management policy to require progress reports at least every 120 days (formerly 60 days) to reflect its current practice.

The Ministry needs information about which programs are most successful in rehabilitating high risk offenders. This information would help it revise its programs so that it delivers the right programs at the right time. The Ministry monitored how many offenders started various programs, and how many successfully completed the programs. The Ministry did not examine how many offenders should have taken the programs to determine if sufficient program capacity existed. The Ministry did not report sufficient information to allow senior management to identify program delivery issues.

The Ministry had processes to evaluate programs before adopting them to rehabilitate adult offenders in the community. The Ministry did not have a policy or process for evaluating if these rehabilitation programs were effective over time (e.g., which programs, when). In addition, the Ministry did not use comparisons to benchmarks or targets to assess the effectiveness of its rehabilitation programs. The Ministry participated in evaluating joint projects with other agencies (e.g., Saskatoon crime reduction strategy). The Ministry told us it is considering ways to identify and evaluate program suitability across cultural groups.

- 7. We recommend that the Ministry of Corrections, Public Safety and Policing establish a policy to evaluate rehabilitation programs for high-risk adult offenders in the community.**

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Education—School divisions

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Main points

As a result of changes to *The Education Act, 1995*, effective April 1, 2009 our Office became responsible to audit school divisions. This is the first year that we have been actively involved in auditing school divisions' financial statements, processes to safeguard public resources, and compliance with authorities.

School divisions made significant progress in improving the measurement, presentation, and disclosure of their financial statements compared to the year before. We commend school divisions for this good work.

This chapter contains guidance in the form of 11 recommendations to school divisions. These recommendations were formed based on situations we noted in various school divisions. We encourage all school divisions to review these recommendations and, where applicable, apply them in their operations.

Introduction

The Ministry of Education (Ministry) provides direction for Pre-kindergarten to Grade 12 education to school divisions. School divisions provide kindergarten to Grade 12 education to students throughout the province. The Ministry's and school divisions' responsibilities are set out primarily in *The Education Act, 1995* (Act).

The Ministry was responsible for 29 school divisions for the year ended August 31, 2010. See Exhibit 1 for a list of school divisions, their appointed auditors, and a description of our participation.

This chapter sets out our results of the audit of the school divisions for the year ended August 31, 2010. We plan to report the results of our audit of the Ministry for the year ended March 31, 2011 in our 2011 Report – Volume 2.

In 2010, the school divisions had revenues totalling \$1.8 billion (2009 - \$1.7 billion) including \$1.1 billion from the General Revenue Fund and expenses totalling \$1.7 billion (2009 - \$1.6 billion). At August 31, 2010, the school divisions held net financial assets of \$241 million (2009 - \$207 million) and non-financial assets of \$1.3 billion (2009 - \$1.2 billion).

Background

As a result of changes to the Act effective April 1, 2009, school divisions became part of the Government reporting entity and our Office became responsible to audit them. For the year ended March 31, 2010, school divisions' financial results were included in the Government's Summary Financial Statements. For the year ended August 31, 2010, we were actively involved in auditing school divisions' financial statements, processes to safeguard public resources, and compliance with authorities.

Soon after the changes to the Act, we assessed how we could best contribute to school divisions' practices and accountability.

During the last two years, we have had several meetings with the Ministry and provided guidance to the Ministry on its first *Financial Reporting Manual for School Divisions*. We made several presentations to senior

management of school divisions. For many school divisions, we had direct discussions with senior management and their boards. We also worked with their appointed auditors.

Based on our first year of auditing school divisions we offer guidance through 11 generalized recommendations to assist school divisions in improving their practices and accountability. We encourage school divisions to review these recommendations and, where applicable, apply them in their operations.

Audit conclusions and findings

We worked with appointed auditors (see Exhibit 1) using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

In our opinion,¹ for the year ended August 31, 2010:

- ♦ **The school divisions had adequate rules and procedures to safeguard public resources except for the matters reported in this chapter**
- ♦ **The school divisions complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters reported in this chapter**
- ♦ **The financial statements of the school divisions are reliable except for a school division where its audit report indicates revenues from school-based activities (i.e., school-generated funds) may not be complete**

Significant improvement in financial statements

For the year ended August 31, 2010, school divisions made significant progress in improving the measurement, presentation, and disclosure of their financial statements from that of the previous year. For the previous year, most school division financial statements were not in accordance

¹ Except as indicated in Exhibit 1.

with Canadian generally accepted accounting principles established by the Canadian Public Sector Accounting Board.

Review of financial reports required

School division boards need to approve policies on when and how (i.e., the basis of preparation) school divisions prepare periodic financial reports for their boards. Also, school division boards need to review periodic financial reports on school division activities. Reviewing periodic financial reports allows boards to understand the complete financial picture of their school division during the year. To understand the complete financial picture, the periodic financial statements should be prepared on the same basis as the year end financial statements (i.e., in accordance with Canadian generally accepted accounting principles established by the Canadian Public Sector Accounting Board (GAAP)), and be compared to budget with reasons provided for significant differences. This would allow boards to determine if school divisions used money for the intended purposes, and to take corrective action if required.

We noted the following weaknesses in certain school divisions during our work this year:

- ◆ There was no policy for when and how the school division should prepare periodic financial reports
 - ◆ Periodic financial reports were not prepared in accordance with GAAP (cash basis of accounting used instead)
 - ◆ Periodic financial reports were not prepared for the review and scrutiny of the board
 - ◆ Review of periodic financial reports by the board was not documented in its minutes
 - ◆ Where periodic financial reports were prepared there was no comparison of actual results to budget within the periodic financial reports
1. **We recommend that school division boards approve policies on when and how the school divisions prepare periodic financial reports for their boards.**
 2. **We recommend that school division boards review (at least quarterly) financial reports (including comparison to budget) prepared in accordance with Canadian generally accepted**

accounting principles established by the Canadian Public Sector Accounting Board and document their review in minutes.

Code of conduct and conflict of interest policies required

A few school boards need to provide their staff with written guidance to help ensure appropriate staff behaviour (i.e., codes of conduct).

To protect the public interest and maintain a respectful workplace, staff must understand the conduct expected of them. Policies and supporting guidance help staff understand and avoid situations of conflict of interest, and when and how to report inappropriate behaviour. They also help supervisors address inappropriate behaviour consistently and as expected. They also convey the expectation that staff will provide services with integrity and impartially.

3. **We recommend that school divisions establish code of conduct and conflict of interest policies and communicate these to staff.**

Segregation of duties required

School division boards need to segregate certain duties among their employees to safeguard public resources from misuse. School divisions need processes to identify weakness in controls (such as poor segregation of duties) and assess the risk of these weaknesses.

Good controls separate the following functions: the custody or access to assets (e.g., cash), the initiation of transactions (e.g., decision to buy), the approval of transactions (e.g., approval to buy), and the responsibility for recording and reporting the transaction (e.g., recording amounts in the accounting records). When school divisions assign incompatible functions, they must rely on independent review and approval of work and reports to detect errors or irregularities. Staff who are assigned responsibility for review and approval of such work and reports must be fully aware of an employee's incompatible functions and related risks. They must keep the additional risks in mind when carrying out their review.

We noted the following segregation of duties issues at certain school divisions:

- ◆ There was no policy to segregate the incompatible duties between staff members handling cash (e.g., opening the mail) and preparing the bank deposit.
- ◆ There was no policy to segregate the incompatible duties of employees preparing and approving journal entries and bank reconciliations before entering adjustments to accounting records.
- ◆ There was no delegation of authority policy to segregate the duties of employees that sets out who approves key documents (e.g., cheques, contracts) and at what thresholds.
- ◆ The purchasing policy to segregate the duties of employees preparing purchase orders for goods and services from senior management approving the purchase orders was not followed. Also, employees did not prepare purchase orders for all required purchases and did not always obtain the proper approval or all required information.
- ◆ There was no segregation of incompatible duties of employees preparing, posting, and reviewing journal entries and financial reporting and variance analysis (i.e., investigating reasons for differences between actual results and planned results).
- ◆ There was no segregation of the incompatible duties of entering suppliers into the purchase system, recording supplier payments, and approving supplier payments.
- ◆ Senior employees did not independently review and approve payments to suppliers to ensure the validity and accuracy of invoices.
- ◆ There was no independent review and approval of travel and expense claims paid to senior employees.
- ◆ There was no segregation of the incompatible duties of entering new employees into the payroll system (i.e., change master files),

preparing the payroll, and independently reviewing and approving payroll prior to payment.

- ◆ Proper support (e.g., contracts of employment, teaching certificates, confirmation of education qualifications, record of years of experience) for payroll payments was not maintained.
- 4. **We recommend that school divisions have segregation of duties policies.**
- 5. **We recommend that school divisions assess the risks of incompatible functions and take appropriate action.**

Lines of credit require Minister's approval

Section 319(2) of *The Education Act, 1995* requires that the Minister must approve money borrowed to finance current operating expenditures. We found that several school divisions used their lines of credit during the year ended August 31, 2010 without the Minister's approval.

At August 31, 2010, these school divisions had borrowed a combined \$22.5 million using their lines of credit. These school divisions had the ability to borrow an additional \$64 million under their lines of credit.

School divisions that do not obtain the Minister's approval to borrow money are operating in a manner not authorized by the Government. Also, because the Government controls school divisions, it is ultimately responsible for this debt.

- 6. **We recommend that school divisions obtain the approval of the Minister for the existence and use of lines of credit.**

Information technology security policies need improvement

School divisions need to establish adequate information technology (IT) security policies.

We found certain school divisions did not set minimum password standards, allowed inappropriate access by employees to systems and

data, did not restrict physical access to computer server rooms, did not update and monitor firewalls, and/or did not appropriately test and document changes to their systems.

IT security policies help ensure the confidentiality, integrity, and availability of information systems and data. For example, these policies identify the rules that staff need to follow. Certain school divisions also need to define how compliance with security policies will be monitored and how security weaknesses will be addressed. Staff awareness training helps ensure staff are informed of security policies and security risks.

Without adequate IT security policies, school divisions' systems and data are at increased risk of unauthorized access, inappropriate changes, and information not being available when needed.

- 7. We recommend that school divisions establish information technology security policies.**

IT disaster recovery plans needed

We found that some school divisions did not have disaster recovery plans. School divisions need written, tested, and approved information technology (IT) disaster recovery plans to enable them to continue to deliver their programs and services if their IT systems become damaged. For example, IT systems need to be available for instruction that relies on computers, financial systems need to be available to pay contractors and staff the correct amounts on time, and student records need to remain accessible.

School divisions should base their IT disaster recovery plans on risk assessments focusing on key programs, systems, and data.

An IT disaster recovery plan:

- ◆ Sets out the responsibilities of those who are to implement the plan
- ◆ Includes emergency procedures to be used while the system is unavailable

- ♦ Includes steps for the recovery and restoration of the system
 - ♦ Is regularly tested and updated
8. **We recommend that school divisions prepare and test their information technology disaster recovery plans.**

Purchase and disposal of real property without Minister's approval

Section 81(2) of *The Education Regulations, 1986* and section 347(2) of *The Education Act, 1995*, respectively, require school divisions to obtain the approval of the Minister before purchasing buildings or disposing of any real property (i.e., land or buildings).

During the year ended August 31, 2010, one school division purchased a building and disposed of land without obtaining the Minister's approval.

9. **We recommend that school divisions obtain the approval of the Minister of Education before making purchases or disposing of real property.**

Controls over school-generated funds needed

One school division did not have adequate processes to ensure that all revenues from school-based activities (i.e., school-generated funds) in schools of the school division are recorded in its financial records. Without adequate processes to collect and record school-generated funds, there is increased risk that money could be misappropriated and that revenues recorded in the financial statements are not complete.

10. **We recommend that school divisions establish appropriate processes to collect and record all funds generated in schools.**

Lack of a formal agreement

We noted a situation where two school divisions are jointly building a high school complex. During the year, construction started on the complex that will house not only the high school, but also another agency and a

common area. According to the funding agreement approved by the Ministry of Education for the two school divisions, the other agency is to contribute \$3.8 million, which is the full cost of the construction of the portion of the facility that it will use. However, title to this portion of the facility will remain with the two school divisions.

The two school divisions entered into an arrangement with another agency without a formal agreement. Without a formal agreement, there is increased risk of misunderstandings about current and future rights and obligations.

- 11. We recommend that school divisions ensure that when they enter into financial arrangements with other agencies, they formalize their rights and obligations in written agreements.**

Exhibit 1—School divisions, appointed auditors and our participation

Under the Act, school divisions have the authority to appoint auditors. The following lists the school divisions, their appointed auditors, and our participation.

<u>School Division</u>	<u>Appointed Auditor (at August 31, 2010)</u>	<u>Participated in Audit²</u>
Chinook School Division No. 211	Stark & Marsh	Yes
Christ the Teacher Roman Catholic Separate School Division No. 212	Parker Quine LLP	Yes
Conseil des écoles fransaskoises No. 310	BDO Dunwoody LLP and Advisors	Note 1
Creighton School Division No. 111	Kendall Wall Pandya	Note 2
Englefeld Protestant Separate School Division No. 132	Meyers Norris Penny LLP	Note 2
Good Spirit School Division No. 204	Skilnick Miller Moar Grodecki & Kreklewich	Note 3
Holy Family Roman Catholic Separate School Division No. 140	Cogent Business Consulting	Yes
Holy Trinity Roman Catholic Separate School Division No. 22	Robert A. Tiede	Note 3
Horizon School Division No. 205	Meyers Norris Penny	Yes
Ile a la Crosse School Division No. 112	Menssa Baert Cameron Odishaw	Note 2
Light of Christ Roman Catholic Separate School Division No. 16	Menssa Baert Cameron Odishaw	
Living Sky School Division No. 202	Holm Clements Kwong Svenkeson Raiche, Chartered Accountants, P.C. Ltd.	Yes
Lloydminster Roman Catholic Separate School Division No. 89	Wilkinson Livingston Stevens LLP	Yes
Lloydminster Public School Division No. 99	Wilkinson Livingston Stevens LLP	Yes
North East School Division No. 200	NeuPath Group, PC Inc.	Yes
Northern Lights School Division No. 113	Meyers Norris Penny LLP	Yes
Northwest School Division No. 203	Pinnacle Business Solutions	Yes
Prairie South School Division No. 210	Stark & Marsh	Yes
Prairie Spirit School Division No. 206	C.S. Skrupski Certified General Accountant Professional Corporation	Yes
Prairie Valley School Division No. 208	Meyers Norris Penny LLP	Yes

² Yes: We were actively involved in auditing the school division's financial statements, processes to safeguard public resources, and compliance with authorities.

Chapter 4 – Education—School divisions

<u>School Division</u>	<u>Appointed Auditor (at August 31, 2010)</u>	<u>Participated in Audit²</u>
Prince Albert Roman Catholic Separate School Division No. 6	Deloitte & Touche LLP	Yes
Regina Roman Catholic Separate School Division No. 81	Dudley & Company LLP	Yes
Regina School Division No. 4	Meyers Norris Penny LLP	Yes
Saskatchewan Rivers School Division No. 119	Deloitte & Touche LLP	Yes
Saskatoon School Division No. 13	KPMG LLP	Yes
South East Cornerstone School Division No. 209	Virtus Group LLP	Yes
St. Augustine Roman Catholic Separate School Division No. 220	Dillon Hillstead Melanson C.G.A. Prof. Corp.	Note 2
St. Paul's Roman Catholic Separate School Division No. 20	Deloitte & Touche LLP	Yes
Sun West School Division No. 207	Close Perkins & Hauta	Yes

Note 1: Our opinions for the year ended August 31, 2010 do not include the Conseil. We plan to audit the Conseil beginning with the year ended August 31, 2011.

Note 2: We limited our work to reviewing the audit plan and opinions of the appointed auditor. Consequently, our opinions for the year ended August 31, 2010 do not include this school division. We plan to follow up on any matters reported by the appointed auditor to ensure the school division addresses them.

Note 3: We are delayed in completing our work and opinions for the year ended August 31, 2010.

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Government Services

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Main points

The Ministry of Government Services (Ministry) is responsible to provide accommodation for certain government agencies (clients), and to maintain its buildings.

Processes to plan accommodation

We found that the Ministry has processes in place to respond to individual client accommodation requests, and to plan accommodation on a building-by-building basis. But the Ministry also needs to consider the combined needs of clients. We concluded that the Ministry had adequate processes to plan accommodation for client agencies, except the Ministry needs to:

- ◆ Prepare an adequate overall accommodation plan (i.e., one that encompasses the needs of all clients), including a risk assessment
- ◆ Monitor implementation of the overall accommodation plan

Processes to maintain buildings—a follow-up

The Ministry has made progress on some of our past recommendations on its processes to maintain its buildings, but it has not yet fully implemented the recommendations. The Ministry still has work to do. The consequences of not carrying out adequate building maintenance and repairs are loss of asset value, poor quality of working space, potential health and safety problems, and the probability of higher repair costs in the future.

Introduction

The mandate of the Ministry of Government Services (Ministry) is to support government program delivery by providing accommodation and property management, transportation, purchasing, risk management, records management, telecommunications and mail distribution services.¹

The Public Works and Services Act, 2004 sets out the Ministry's responsibility for all matters relating to public works, including the responsibility to provide accommodation and to maintain buildings.

The Ministry owns or leases buildings, or space in buildings, in 166 communities across the province. These spaces make up the Ministry's accommodation portfolio. The portfolio includes provincial office buildings, highway storage and repair buildings, health-care facilities, technical schools, museums and art galleries, correctional centres, laboratories, court houses, and historic properties. The Ministry owns 462 buildings and leases 267 buildings. The replacement value of owned buildings is \$3.03 billion.² For the year ending March 31, 2010, accommodation charges were over \$160 million.³

In this chapter we report on our audit of the Ministry's processes to plan accommodation for the government agencies that are its clients. We also report the results of our follow-up work on the Ministry's processes to maintain its buildings.

Processes to plan accommodation

Background

We audited the Ministry's processes to plan accommodation for the government agencies that are its clients. The Ministry is responsible for providing accommodation for certain government agencies. *The Public Works and Services Act, 2004* (section 3) states that the Ministry is responsible to provide accommodation unless an agency is itself responsible under its own legislation (e.g., Crown corporations). To carry out this role, the Ministry is responsible for the acquisition, alteration,

¹ Ministry of Government Services, 2009-10 Annual Report, p. 7.

² <http://www.gs.gov.sk.ca/accommodation> (January 25, 2011).

³ Ministry of Government Services, 2009-10 Annual Report, p. 23.

repair, maintenance, management, operation and disposal of real property.

To provide appropriate space for its client government agencies and the programs and services they deliver, the Ministry needs to have effective processes to plan for accommodation. If the Ministry does not have adequate processes to plan for accommodation, its clients could be hindered in delivering services and programs. This could lessen the clients' ability to fulfill their mandates and achieve their objectives. As well, inadequate processes could result in space not being optimally used. This would result in inefficiencies and unnecessary costs.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether the Ministry had adequate processes for the year ended March 31, 2011 to plan accommodation for client agencies. To plan accommodation means planning to meet the overall current and future needs of its client agencies for physical premises to carry on their operations and deliver services.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the Ministry's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. The Ministry's management agreed with the criteria.

Our main criteria were as follows. To have adequate processes to plan accommodation for client agencies, the Ministry should:

- ◆ Identify accommodation needs
- ◆ Develop an accommodation plan
- ◆ Monitor implementation of the plan

The Ministry has processes in place to respond to individual client accommodation requests, and to plan accommodation on a building-by-building basis, but the Ministry also needs an overall accommodation plan that encompasses the needs of all its clients.

We concluded that the Ministry of Government Services had adequate processes to plan accommodation for client agencies for the year ended March 31, 2011, except the Ministry needs to:

- ♦ Prepare an overall accommodation plan, including a risk assessment
- ♦ Monitor implementation of the overall accommodation plan

Key findings and recommendations by criterion

We describe below what we expected (in italics) and our key findings for our three criteria, together with our recommendations.

Identify accommodation needs

To identify accommodation needs, we expected the Ministry to:

- ♦ *Have an established policy framework for accommodation*
- ♦ *Provide planning assistance to clients*
- ♦ *Identify client needs*
- ♦ *Document the inventory of current space*
- ♦ *Analyze the gap between existing inventory and future needs*

The Ministry has three documents that make up its policy framework. The policy framework clarifies rules and expectations, is current, and is approved. It provides detailed and relevant information to Ministry employees and clients on processes to respond to client accommodation requests. The framework is directed towards managing accommodation requests from individual clients and not towards planning to meet clients' combined accommodation needs overall. It does not specify that there should be an overall accommodation plan encompassing all its clients (discussed in the next section). By not looking at the combined overall needs of its clients, the Ministry may not identify all opportunities or pressures that it will face in fulfilling client needs.

The policy framework does not require an overall risk assessment. Without a policy that requires an overall risk assessment, there is increased likelihood that an overall risk assessment will not take place. Without an overall risk assessment, the Ministry will not know if its plan is addressing key risks in providing accommodation to its clients.

1. **We recommend that the Ministry of Government Services specify in its policy documents the requirement to prepare an overall accommodation plan, including a risk assessment.**

The Ministry provides planning assistance to its clients. The assistance includes:

- ◆ Access to manuals and guides
- ◆ Access to planners (employees of the Ministry)
- ◆ Planning templates
- ◆ Education on new space standard guidelines

The Ministry also provides tools and information to its own planners. For example, the planners have access to numerous forms and checklists that they use when assisting clients. The Ministry informs and educates their planners and client agencies when there are significant changes to the Ministry's processes.

The Ministry does not have a formal process to request information from its client agencies about their changing accommodation needs every year. Rather, the Ministry told us it expects clients to advise it of any expected changes. This increases the risk that the Ministry might not know about future needs.

To mitigate the risk that the Ministry may not know about future accommodation needs, the Ministry asks some of its clients about their capital plans and priorities. However, it does not do this for all clients. Also, the Ministry looks at budget submission documents for any projects that clients are planning in the upcoming year. In addition, if there are leases that will be expiring soon, the Ministry will contact the client agencies to inquire about their future needs. This helps the Ministry to determine if it should continue leases and to identify required changes to lease agreements.

The Ministry has taken steps to mitigate the risk that it may not have all the information it needs. However, by not regularly requesting information from all clients, the Ministry remains at risk of not having all of the information it needs to create an overall accommodation plan. This could result in decisions that are not cost-effective for the government.

- 2. We recommend that the Ministry of Government Services regularly request information from clients on their future accommodation needs.**

The Ministry uses a computer system to track the total space available in the buildings it owns or leases. The Ministry's system identifies space available and which clients are renting specific space. The Ministry uses industry standards for calculating available space.⁴ The Ministry considers the space that agencies use to be either program space⁵ or office space.

The Ministry's mandate includes implementing a new space standard for its clients to reduce the total amount of space it uses. The Ministry's approved office space standard for its client agencies is 18.6 m² (square metres) per full time equivalent (FTE).⁶ The Ministry analyzed the total office space in its portfolio including, for each client agency, the number of FTEs, the current space occupied, and the total space that would be required under the 18.6 m² per FTE standard. The analysis was limited to office space, and did not include information on the potential future needs of clients, or assess whether reductions were attainable for its clients.

In 2010-11, the Ministry examined program space used by three of its clients and identified over/under use of space. Management told us the Ministry is planning to do a similar analysis of other clients' program space in the future. Because this analysis was only for program space for three client agencies, it is not a complete analysis of existing inventory and future needs.

- 3. We recommend that the Ministry of Government Services identify the gap between its existing accommodation portfolio and future accommodation needs.**

The Ministry's clients provided the Ministry with their FTE numbers. The Ministry uses this information to evaluate agency space requirements. The Ministry does not verify the FTEs reported to them overall, or on a

⁴ Industry standards used by the Ministry are set by BOMA (Building Owners and Managers Association). These standards set out how to measure the space available for use within a building.

⁵ Program space is space that agencies use to meet their program needs (e.g., space for storage buildings, health-care facilities, technical schools, museums and art galleries, correctional centres, laboratories, court houses, historic properties).

⁶ The space standard was approved by Treasury Board. Ministry of Government Services, 2009-10 Annual Report, p. 14.

building-by-building basis. The Ministry requires accurate information on agency FTEs to adequately plan to meet the 18.6 m² per FTE standard.

4. **We recommend that the Ministry of Government Services verify staffing information provided by its clients for the Ministry's buildings.**

Develop accommodation plan

We expected the Ministry to develop an overall accommodation plan for its client agencies. In developing this plan, we expected the Ministry to:

- ♦ *Assess risks to delivering appropriate accommodation*
- ♦ *Develop alternatives to meet needs*
- ♦ *Align the plan with strategic objectives*

The Ministry's senior management is knowledgeable regarding risks and has procedures to address risks in specific projects involving individual client agencies. However, as noted previously, the Ministry has not carried out an overall risk assessment related to its ability to provide accommodation to its overall portfolio of clients.

The Ministry has several documents that make up its current accommodation plan. These documents do not constitute a complete plan because they do not reflect the future program and office space needs of all of its clients. The Ministry needs to have an overall accommodation plan to help ensure it can effectively and efficiently meet all of its clients needs.

5. **We recommend that the Ministry of Government Services develop an overall accommodation plan.**

The Ministry analyzed ways to reduce the total amount of space that government agencies occupy and total office space within its portfolio (see above). The Ministry plans to work with its clients to identify opportunities for future reductions in space.

As previously noted, the Ministry's analysis is not complete because it did not consult with its clients to determine if their needs will be met. The Ministry told us that it will obtain this information from clients in the future.

The Government's strategic objectives for this Ministry's clients include reducing the workforce and reducing costs. The Ministry considers this strategic direction in planning accommodation. The Ministry told us that it requested funding for planning to reduce client space.

Monitor implementation of plan

To monitor implementation of its accommodation plan, we expected the Ministry to:

- ♦ *Set measures*
- ♦ *Review results*
- ♦ *Evaluate planning processes*
- ♦ *Report results to senior management*

The Ministry has measures to monitor its accommodation portfolio. For the most part its measures are informal (i.e., not set out in policy) and are not tied to an overall plan.

The Ministry uses the results of some of these measures in its planning. Management told us that the Ministry plans to make more frequent use of the new space standard measure (m² per FTE). The Ministry also has regular meetings and occasionally more detailed project follow-up meetings to review results at the individual project level.

The Ministry periodically reviews the planning tools and documents it uses in order to make changes where required. The Ministry does not carry out regular, documented evaluations of its planning processes.

Senior management receives occasional updates on its accommodation portfolio in notes or reports prepared for specific purposes. Senior management should require regular status reports describing progress against an overall accommodation plan.

- 6. We recommend that the Ministry of Government Services monitor and report on implementation of an overall accommodation plan.**

Processes to maintain buildings—a follow-up

Background

In 2009, we assessed the Ministry of Government Services' processes to maintain its buildings. Our 2009 Report – Volume 1, Chapter 6 (pp. 81-90) concluded that the Ministry of Government Services did not have adequate processes to maintain its buildings. We made five recommendations.

On February 2, 2010, the Standing Committee on Public Accounts agreed with our recommendations.

We set out below our past recommendations (in italics) and the Ministry's actions up to March 31, 2011. We found that the Ministry still has work to do for each of the five recommendations.

Accurate, complete, and available information

We recommended that the Ministry of Government Services establish and implement processes to ensure the information on its buildings is accurate, complete, and available. (2009 Report – Volume 1)

The Ministry uses four computer systems to document information about its buildings. The Ministry is implementing a process to reconcile the buildings across each system annually. To complete this reconciliation, management compiles a list of all of the buildings in each system and then compares for exceptions. Management investigates the exceptions to determine why they occurred. Through this process the Ministry can identify any buildings that are missing from any of the systems, or information that is not correct. The Ministry is continuing to refine this process and is working towards completing its second reconciliation since our 2009 audit. Management told us that the Ministry has not prepared a policy on this reconciliation process because it is still making changes to the process.

The Ministry does not always update the information in its systems for significant completed projects on a timely basis. Management told us that it continues to have difficulty in getting information on projects from its design consultants on a timely basis. Management told us that if the

Ministry is unable to get the required information on a timely basis, it manually adjusts the deferred maintenance totals to reasonable amounts. The Ministry continues to work towards designing a process to obtain timely information on completed projects from its design consultants.

The Ministry has implemented a new model for calculating the current replacement value of its buildings. This new model ensures that the calculation of replacement values are consistent across buildings.

Status – We continue to make this recommendation.

Adequate maintenance plans

We recommended that the Ministry of Government Services approve adequate maintenance plans for all the buildings the Ministry owns. (2009 Report – Volume 1)

The Ministry has preventative maintenance plans for the buildings where its own staff do the preventative maintenance. The Ministry still does not have plans for those buildings where it has delegated the authority for preventative maintenance to clients. The Ministry has developed a form that it plans to use for buildings where clients perform preventative maintenance. Management told us that this form will be used to identify work, monitor work, and identify gaps for building maintenance. Management told us that the Ministry will begin using these forms once it has signed agreements with clients for preventative maintenance.

Status – We continue to make this recommendation.

Sign adequate agreements with clients

We recommended that the Ministry of Government Services sign adequate agreements with its clients that describe each of the parties' responsibilities. (2009 Report – Volume 1)

The Ministry does not have agreements with its clients for buildings where the Ministry has delegated the authority to do preventative maintenance. Management told us that it is in the process of reviewing the buildings where it has delegated the authority and that it has begun discussing responsibilities and agreements with clients. Management told us that it is

planning to begin signing agreements with its clients in the next fiscal year (i.e., 2011-12). Management noted that it would likely take longer than one year to determine responsibilities and sign agreements with some of its larger and more complex clients.

Status – We continue to make this recommendation.

Processes for effective maintenance

We recommended that the Ministry of Government Services have processes so that maintenance is effectively carried out on all of its buildings. (2009 Report – Volume 1)

Management told us that the Ministry has not yet developed a process to ensure that maintenance is effectively carried out on buildings where it has delegated the authority for maintenance. Management told us that the Ministry is targeting a reduction in the cycle time between on-site, third-party inspections (i.e., asset validation surveys). Management thinks that this will provide them with some assurance that preventative maintenance work has been done.

Status – We continue to make this recommendation.

Monitor processes

We recommended that the Ministry of Government Services provide senior management adequate reports to monitor the process to maintain its buildings. (2009 Report – Volume 1)

The Ministry provides monthly reports to senior management on all major maintenance projects. The Ministry now also provides quarterly reports to senior management that show issues involving planned preventative maintenance. The Ministry has not yet developed reports on maintenance for buildings where it has delegated the authority for preventative maintenance.

Status – We continue to make this recommendation.

Glossary

Current replacement cost – The total expenditure in current dollars required to replace any facility at the institution, inclusive of construction costs, design costs, project management costs, and project administrative costs.

Deferred maintenance – The total dollar amount of existing maintenance repairs and required replacements (capital renewal), not accomplished when they should have been, not funded in the current fiscal years, or otherwise delayed to the future.

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Highways and Infrastructure

6

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Main points

The Ministry of Highways is responsible for maintaining provincial highways including approximately 800 bridges. The Ministry conducts regular inspections to determine the condition of its bridges and to plan short-term bridge maintenance. It carries out bridge maintenance as planned.

At March 2010, the Ministry needed to make the following improvements to the processes it uses to keep bridges in good repair over the long term. It needs:

- ◆ To keep its bridge management system records up to date. This would assist management to have readily accessible and current information to make decisions about bridge planning and required maintenance.
- ◆ To document its key bridge maintenance planning processes and overall bridge maintenance plan. Improved documentation would reduce the risk that unplanned staff turnover may have on bridge maintenance plans.
- ◆ To establish and use long-term bridge service objectives to determine its annual and longer-term maintenance priorities. Service objectives would reflect the level to which the Ministry would maintain bridges to achieve the desired level of safety. Use of these objectives would also help the Ministry select the right maintenance activities at the right time (over the short, medium, and long term) to avoid unnecessary bridge maintenance costs and unintended differences in bridge conditions.
- ◆ To develop a report that senior management can use to monitor the results of bridge inspection and maintenance activities.

Doing the right maintenance at the right time reduces long-term costs and minimizes the risk of bridge failure.

Introduction—Keeping bridges in good repair

This chapter describes the results of our audit of processes at the Ministry of Highways and Infrastructure (Ministry) to keep bridges in good repair on provincial highways. A bridge is a structure that allows people or vehicles to cross an obstacle such as a railway, river, or another highway.

Background

The Highways and Transportation Act, 1997 sets out the Ministry's responsibility for all matters relating to bridges on the provincial highway system, including the maintenance of those bridges. The Ministry's mission is to optimize the role of transportation as it relates to the economic and social development of Saskatchewan.¹ A properly maintained transportation system enhances public safety and ensures that the transportation system supports a fully functioning economy.²

At March 31, 2010, the 800 bridges on the provincial highway system had a recorded cost of over \$161 million (2009 - \$153 million) and a net book value of about \$86 million (2009 - \$80 million). The average age of the bridges is about 37 years.³ In 2009-10, the Ministry spent about \$1.2 million maintaining bridges.

The Ministry classifies its bridges using two general categories: minor⁴ and major.⁵ It has about 630 minor bridges with an average age of the various minor bridge types ranging from 24 to 42 years⁶ and 170 major bridges with an average age of about 41 years.

The Ministry has divided the highway system, including bridges, into three regions and assigned staff to these regions. Also, the Ministry has two

¹ 10-11 Ministry Plan, *Ministry of Highways and Infrastructure*, p. 2.

² Ibid., p. 9.

³ The Ministry of Highways and Infrastructure estimates the useful life to be 40 years for accounting purposes.

⁴ Minor bridges are on average smaller and consist of both timber & shorter-span concrete/steel bridge structures. Total deck surface area of minor bridges is 107 thousand square meters.

⁵ Major bridges are on average larger, and the majority of the bridge structure is made of concrete that is reinforced with steel. Total deck surface area of major bridges is 136 thousand square meters.

⁶ Per Ministry records: bridges made entirely of timber had an average age of 42 years, other shorter-span bridges with a timber substructure but non-timber deck had an average age of 28 years, and other minor bridges had an average age of 24 years.

Chapter 6 – Highways and Infrastructure

teams that specialize in maintaining bridges: a preservation engineering team and a bridge preservation crew.

Exhibit 1 sets out the Ministry's spending on bridge maintenance (preservation) and bridge construction (infrastructure capital) over the last five years. Also, the exhibit notes the results of the Ministry's public performance measure related to bridge condition inspections.

Exhibit 1

	2009-10	2008-09	2007-08	2006-07	2005-06
Spending on: (In millions of \$)⁷					
Preservation	1.2	1.8	1.3	1.2	0.8
Infrastructure capital	12.5	15.7	8.9	8.5	n/a
Measurement results⁸					
Percentage of bridges inspected annually	41%	n/a	n/a	n/a	n/a

The Ministry identifies "preservation of the transportation system" as one of its key programs. Preventative maintenance focuses on activities to keep the bridge structures in good repair to maintain safety. Doing the right preventative maintenance at the right time maintains safety and reduces long-term costs of the bridges.

Audit objective, criteria, and conclusion

The objective of this audit was to assess the adequacy of the Ministry's processes to keep bridges within the provincial highway⁹ system in good repair. We assessed the processes in place for the year ended March 31, 2010. The scope of the audit did not include the maintenance of the pavement surface (e.g., the asphalt) on the decks of bridges or maintenance of culverts.¹⁰

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate the Ministry's processes, we used criteria based on related work, reviews of literature including reports of other auditors, and consultations with management. The Ministry agreed with the criteria set out in this chapter.

⁷ Obtained from Ministry of Highways and Infrastructure financial records.

⁸ 2009-10 Annual Report - Ministry of Highways and Infrastructure, p. 17.

⁹ Section 2(b) of *The Highways Act*, 1997 defines provincial highways.

¹⁰ Culvert - a transverse and totally enclosed drain under a road or railway.
<http://wordnetweb.princeton.edu/perl/webwn> (April 11, 2011).

Exhibit 2 – Criteria

To have adequate processes to keep bridges within the provincial highway system in good repair, the Ministry should:

1. Obtain reliable information on bridges
2. Develop a maintenance plan
3. Carry out maintenance effectively
4. Monitor performance

We concluded that, for the year ended March 31, 2010, the Ministry of Highways and Infrastructure had adequate processes to keep bridges in good repair except for:

- ♦ Maintaining up-to-date bridge management system records for use in making decisions about planned and required maintenance
- ♦ Documenting the key bridge maintenance planning processes and the overall bridge maintenance plan to facilitate the planning of bridge maintenance
- ♦ Setting and using long-term service objectives for bridges for prioritizing maintenance activities
- ♦ Providing a report that senior management can use for monitoring the results of bridge maintenance and inspection activities each year

Key findings and recommendations

In the following sections, we set out key findings for each criterion (see Exhibit 2). Our detailed expectations for each criterion are set out in italics under each subheading.

Obtain reliable information on bridges

We expected that the Ministry's processes would include maintaining a complete list of bridges. The Ministry would:

- ♦ *Identify and keep a list of the key elements of those bridges*
- ♦ *Determine key information such as bridge condition and previous maintenance activities*
- ♦ *Have qualified personnel collect this information on a consistent and reliable basis*

- ◆ *Determine the risks of damage to bridge structures to the point bridges could no longer operate at intended service levels*

The Ministry uses a computer system (called the bridge management system (BMS)) to track all bridges (by distinct bridge number) and to accumulate key information about those bridges (e.g., location, structure type, date of last inspection and condition rating). The Ministry also keeps in separate manual files and in spreadsheets more detailed information for each bridge. This detailed information includes the nature of maintenance activities planned or undertaken on each bridge, the results of detailed inspection reports (bridge element condition), and design specifications.

The Ministry requires all bridge inspectors to have specified qualifications. Ministry staff, located throughout the province, collect most of the required information. Ministry staff inspect minor bridges and carries out specialized bridge inspections¹¹ of some major bridges. The Ministry hires private sector contractors to inspect major bridges. In 2009-10, these contractors did about 29% of all bridge inspections completed in the year.

The Ministry uses comprehensive, industry-accepted standards to complete bridge inspections.¹² These standards provide inspectors with details on bridge elements, potential defects, required inspection procedures, standardized condition ratings, measures for defects, the format for reports, and recommended actions for identified defects.

The Ministry keeps current manuals that set out expected bridge-data-collection activities. The manuals include clear definitions, naming conventions, and methods for collecting and reporting information. The manuals provide staff with criteria to collect, track, and record required information on a consistent and comparable basis.

Bridge inspections consist of detailed visual inspections, photographing bridge elements, measuring deficiencies (if any), and completing standard

¹¹ Specialized inspections generally include processes more precise than visual inspections. One example is called a half-cell test. This test uses a battery and measurement equipment to map electrical conductivity across the bridge deck. This "map" of conductivity helps to assess corrosion of the steel components inside the concrete structure.

¹² The Ministry has adopted the *Ontario Structure Inspection Manual* (OSIM) as the basis for its bridge inspection standards. The Ministry has adjusted these standards to make them more applicable to the risks and conditions bridges face in Saskatchewan.

inspection reports. The Ministry uses standard inspection reports so that consistent information is collected. This includes the condition of each bridge element, suggested maintenance work, and other inspection observations.

Ministry preservation engineers use the inspection reports to make decisions on the safety of the bridge, its weight capability, the risk of bridge failure, and maintenance work necessary. Inspectors inform preservation engineers of any potentially significant issues.

Ministry bridge inspectors are responsible for updating the BMS with the results of their inspections. Preservation engineers are responsible for updating the BMS for inspections done by private sector contractors. Preservation engineers do not update the BMS until they review the contractors' inspection reports.

During our audit, we found that preservation engineers were behind in their review of certain inspection reports (that is, those not flagged for significant issues). They were also behind in their entry of information into BMS. For over half of the files we examined, information from their latest cycle of inspections (i.e., either the 2008 or 2009 inspections) was missing in the BMS. Some information was also missing from inspections prior to the latest cycle (that is, results from the 2006 and 2007 inspections).

Delays in reviews of inspection reports means preservation engineers may not provide inspectors with timely feedback on the quality of their inspection reports. Also, because the BMS was not kept up to date, management did not have readily accessible and up-to-date information on bridge conditions to make informed decisions about planned and required maintenance.

1. **We recommend that the Ministry of Highways and Infrastructure keep bridge management system records up to date.**

Develop a maintenance plan

We expected maintenance plans would reflect the expected level of service over the life of the bridge. A complete maintenance plan would

help the Ministry take targeted and timely action to select the right maintenance treatment at the right time. Targeted and timely actions keep bridges able to support the desired traffic weight and, in turn, help ensure the highway system is safe and provides the desired or acceptable level of service.

To develop a maintenance plan, we expected the Ministry to use well-established and documented processes. We expected these processes would include establishing specific maintenance objectives, strategies, and performance measures. We expected the Ministry would set service objectives for maintaining bridges to an acceptable condition over the long term;¹³ estimate the cost of strategies; set maintenance priorities; and rank priorities against available resources over the short, medium, and long term. We also expected its comprehensive maintenance plan would include its maintenance strategies, supporting project lists, and work plans.¹⁴

The Ministry does not have documented procedures for its bridge maintenance planning processes, nor a combined bridge maintenance plan. Rather, its plan is comprised of various documents (e.g., a list of approved and prioritized maintenance work, a list of new and major rehabilitation projects it plans to complete over the next five years, lists of bridge inspections, and information used to support its annual budget). We found that Ministry staff understood the current bridge-planning processes and practices.

Because of low turnover of staff involved in bridge maintenance, many of the Ministry's processes are only partially documented. Lack of documented detailed procedures could hamper the Ministry's ability to effectively plan and carry out bridge maintenance activities in the event of unplanned staff turnover.

In 2010-11, management started to document its bridge maintenance planning processes. It expects that this documentation, when complete, will assist Ministry staff in planning and scheduling bridge maintenance.

¹³ At March 2010, industry-accepted service objectives for bridges did not exist.

¹⁴ Work plans set out the types and cost of various maintenance activities to achieve the defined service objectives.

2. We recommend that the Ministry of Highways and Infrastructure document its key bridge maintenance planning processes and its bridge maintenance plan.

The Ministry, on a broad basis, uses its categories of highways to reflect the levels of service it expects bridges to provide over their service life.¹⁵ The Ministry recognizes that the maintenance of bridges must correspond to specific weight restrictions and traffic requirements as reflected in the related category.

The Ministry sets some performance measures related to its bridge maintenance activities. For example, as noted in its Annual Report, the Ministry plans to inspect 50% of its bridges each year. However, the Ministry has not formally determined what constitutes a safe bridge – that is, it has not formally decided how it will consistently measure bridge safety. Also, it has not formally set the level to which it will maintain bridges to achieve the desired level of safety (i.e., service objectives) over the life of the bridge. Rather, the Ministry prioritizes and approves short-term maintenance activities using information on bridge category, bridge condition, planned rehabilitation projects, and available annual budget. Also, its bridge planning sets out measureable amounts of deterioration that drive its annual repair work to ensure bridge safety.

Use of long-term service objectives will help the Ministry select the right maintenance activities at the right time over the life of the bridges. Also, their use will help the Ministry determine the maintenance resources necessary over the long term.

Not doing the right maintenance activity at the right time increases the risk that some bridges may be maintained at a higher level than necessary or become unsafe, and that costs of future repair may increase. Bridges not sufficiently maintained can adversely impact travel safety as well as the provincial economy through excessive weight restrictions on highways. Unsafe bridges can result in serious injury and loss of life. Use of service objectives will help ensure staff make decisions on maintenance activities consistent with the Ministry's priorities.

¹⁵ These categories reflect the bridge structure type, expected level of usage (e.g., traffic nature and volume), and priority (such as high-priority routes).

3. **We recommend that the Ministry of Highways and Infrastructure set long-term service objectives for bridges and use them to determine its annual and longer-term maintenance priorities.**

Carry out maintenance effectively

To carry out maintenance effectively, we expected that the Ministry would use recognized standards for its various maintenance activities, establish maintenance procedures consistent with those standards, and track the completion of maintenance activities and changes to its planned activities.

The Ministry uses staff experience, research, and participation on national forums¹⁶ to develop and revise its maintenance standards and manuals. It maintains two manuals that provide staff with sufficient detailed guidance on carrying out various bridge maintenance activities. Senior staff formally review and approve changes to the Ministry's manuals.

The first manual sets out the maintenance standards, the type of work involved during each type of treatment, and the standard procedures. It also provides information on the potential impact of each type of treatment on the surrounding environment. Making information on potential environmental impacts readily available helps make the Ministry's requests for environmental approvals efficient.

A second manual sets out standard operating procedures for maintenance work. For each type of repair (such as replacing wood pilings), the manual outlines the safety precautions, the normal procedures used to make the repair, and the resources needed (equipment, labour, material). It also provides guidance on traffic management.

Preservation engineers are primarily responsible to monitor completion of work plans and project lists, and to prioritize maintenance activities. These engineers work with the bridge preservation crew to update the bridge-maintenance work plan and project lists on a quarterly basis.

¹⁶ Several of these national forums develop and review national standards. For example, staff participate on Transportation Association of Canada committees and projects. The Association is a forum for gathering or exchanging ideas, information, and knowledge on technical guidelines and best practices. <http://www.tac-atc.ca/english/about/index.cfm> (December 29, 2010).

Because the Ministry has not defined the bridge condition level to maintain over the medium and long term, staff do not have guidance or criteria to help them choose optimal maintenance activities to avoid unnecessary bridge maintenance costs and unintended differences in bridge conditions (see earlier recommendation about the use of service objectives in determining priorities).

The bridge preservation crew is primarily responsible for detailed scheduling of maintenance work and monitoring the availability of labour, equipment, and materials. When scheduling bridge maintenance, staff consider the planned location of the crew (based on scheduled construction or rehabilitation work) and the priority level of maintenance work as assessed by the preservation engineers. The Ministry schedules major rehabilitation and new construction work up to two years in advance because of the complexity of these projects (e.g., need to obtain environmental approvals or order specialized bridge components). The crew adjusts its plans when emergency or urgent maintenance work arises.

Monitor performance

To monitor performance, we expected that the Ministry would regularly review and report on its progress in carrying out its maintenance plan and on the impact of its maintenance activities. We expected reports would provide senior management with sufficient information on the results of its maintenance activities compared to plan and that senior management would use analysis of the results to adjust its plans.

The Ministry has adequate processes for monitoring financial performance. The Ministry does not have a documented policy or a process for reporting the results of its inspection activities and the impact of its maintenance activities to senior management.

For financial reporting, the Ministry uses well-defined processes to track and prepare reports on planned, actual, and forecasted costs. It actively manages whether maintenance activities are within the approved budget. The Ministry produces summarized financial reports at various times. For example, staff receive weekly detailed financial reports, middle management receives monthly financial reports, and senior management receives quarterly financial reports. Quarterly reports include significant

risks, use of labour, and the status of commitments set out in the Ministry's public performance plans.

Senior management does not receive reports about the progress of bridge inspection activity, changes in bridge condition over time, or the expected impact of deferred maintenance work on the condition of bridges. Senior management needs the results of maintenance and inspection activities to make informed long-term decisions about the bridges.

4. **We recommend that senior management of the Ministry of Highways and Infrastructure receive and review reports on the results of bridge inspection and maintenance activities.**

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Main points

In 2009, we examined whether the Information Technology Office improved information technology services through consolidation and provided those services at a lower cost. We made five recommendations. In 2011, we followed up on the audit and found that action has been taken on all of our recommendations. Three recommendations have been implemented and there is still some work to do to implement the remaining two recommendations.

Measuring benefits of IT consolidation—a follow-up

Background

In 2009, we examined whether the Information Technology Office (ITO) improved information technology (IT) services through consolidation and provided those services at a lower cost. We reported our audit in our *2009 Report – Volume 1*, Chapter 7. We concluded that due to the absence of reliable performance measures and costs relating to IT services for periods before and after consolidation, we were not able to determine whether ITO had improved IT services through consolidation and provided those services at a lower cost. We made five recommendations.

On September 1, 2009, the Standing Committee on Public Accounts agreed with our recommendations.¹

We have assessed ITO's actions on our recommendations. The following sections set out our recommendations (in italics) and ITO's actions to March 31, 2011.

Measuring ministry satisfaction

We recommended that ITO resume regularly measuring ministry satisfaction as agreed upon with ministries. (2009 Report – Volume 1)

ITO has implemented a new program for measuring client satisfaction. Management told us that their intent was to obtain feedback on a continuous basis. ITO interviewed clients to set a baseline. It then selects projects throughout the year and solicits feedback from clients for each project. ITO has 67 responses from clients for 2010-11 (with seven reviews outstanding at the time of our follow-up).

Status – ITO has implemented the recommendation.

¹ The Committee modified one of the recommendations. We had recommended that ITO agree with ministries on relevant service delivery measures and targets. The Committee recommended ITO seek mutual agreement with ministries on relevant service delivery measures and targets.

Joint action plans

We recommended that ITO work with ministries to prepare joint action plans to address issues identified in satisfaction surveys, as required by its service level agreements. (2009 Report – Volume 1)

The project feedback forms used in the new client satisfaction process include an “action taken” column. This form is not consistently filled out. If this form were to be consistently used to document plans to address issues, it could serve the purpose of the previous joint action plans.

Status – We continue to make this recommendation.

Building capacity

We recommended that ITO assist ministries to build capacity to analyze their IT requirements. (2009 Report – Volume 1)

ITO has set up a cross-ministry group to support business analysis within clients. Business analysis includes helping bridge the gap between business needs and technology. The group has a charter and has initiated activities to assist its members to gain expertise in business analysis.

Status – ITO has implemented this recommendation.

Application support

We recommended that the Government evaluate whether ITO should provide ministries with application support for complex and custom applications. (2009 Report – Volume 1)

ITO management told us that ITO has reorganized how it provides application support. It has organized application support and maintenance by ministry. Management advised that this enables ITO to assign employees consistently to one ministry and to build the assigned employees' knowledge of the ministry and the ministry's application requirements. We note that the Government has provided increased resources to ITO for client application support.

Status – The recommendation has been implemented.

Service delivery measures and targets

We recommended that ITO seek mutual agreement with ministries on relevant service delivery measures and targets. (2009 Report – Volume 1)

ITO is establishing new memoranda of understanding with its clients. ITO and the ministries should ensure that these MOUs contain relevant service delivery measures and targets.

Status – We continue to make this recommendation.

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Main points

This chapter reports the results of our work on the regulation of Saskatchewan credit unions and our follow-up on the progress of the Superintendent of Pensions in addressing our past recommendations.

Regulating Saskatchewan Credit Unions

The Registrar appointed under *The Credit Union Act, 1998*, is responsible for supervising the regulation of credit unions in Saskatchewan. We concluded that the Registrar had appropriate processes to supervise the regulation of credit unions. While the Registrar is appropriately supervising the regulation of credit unions, there is a lack of formal clarity whether the Registrar carries out its responsibilities as an individual or as part of the Saskatchewan Financial Services Commission (Commission). We recommend that the Ministry of Justice and Attorney General and the Commission formally assign roles and responsibility to supervise regulation of credit unions.

Superintendent of Pensions – Processes to supervise pension plans—a follow-up

The Superintendent of Pension has now implemented all our past recommendations to better supervise pension plans.

Introduction

The Ministry of Justice and Attorney General (Justice) provides legal services and justice policy advice to government in order to protect the legal rights of citizens and to promote social and economic order for Saskatchewan. Also, Justice provides support for the courts system, prosecutorial services, civil law services, and marketplace regulation.¹

For the year ended March 31, 2010, Justice spent \$145.3 million on its programs and earned revenues of \$51.4 million. Information about Justice's revenues and expenses appears in Justice's *2009-10 Annual Report* (see <http://www.justice.gov.sk.ca>).

Our 2010 Report – Volume 2 reports the results of our audits of Justice and its Crown agencies for their years ended March 31, 2010.

This chapter reports the results of our work on the regulation of Saskatchewan credit unions and our follow-up on the progress of the Superintendent of Pensions in addressing our past recommendations.

Regulating Saskatchewan Credit Unions

Background

Saskatchewan has 61 credit unions providing financial and other services to about 270 communities. Locally-elected boards manage credit unions. Like other financial institutions, credit unions are regulated by governments.

The Credit Union Act, 1998 (Act) provides the overall framework for the incorporation and regulation of credit unions in Saskatchewan. The Act describes the responsibilities, obligations, and powers of credit unions, the Registrar of credit unions, and the Credit Union Deposit Guarantee Corporation (CUDGC).²

As allowed under the Act, Justice has appointed an individual as the Registrar of credit unions. The Registrar is also an employee of the

¹ Ministry of Justice and Attorney General, *2009-10 Annual Report*, p. 7.

² CUDGC is incorporated under *The Business Corporations Act*. CUDGC is not a Crown agency.

Chapter 8 – Justice and Attorney General

Saskatchewan Financial Services Commission (Commission). Although the Act gives CUDGC certain specific regulatory responsibilities, the ultimate authority for regulating credit unions lies with the Registrar. The Registrar determines who can carry on business as a credit union and maintains a register of incorporated and approved credit unions in the province.

To clarify their respective regulatory mandates under the Act, the Registrar, CUDGC and Credit Union Central of Saskatchewan (SaskCentral)³, have signed a Memorandum of Understanding setting out the following roles and responsibilities.

SaskCentral is responsible for liquidity management, trade association, compliance support, and complaint resolution. CUDGC is responsible for deposit protection, monitoring and enforcing sound business practice as specified under the Act. The Registrar is responsible for ultimate regulatory administration, policy development and enforcement, and protection of consumers and the public interest.

CUDGC guarantees the depositing public the full repayment of money deposited in credit unions. Therefore, it must ensure that credit unions carry proper capital to manage their business risks. To ensure credit unions are operating in a sound and prudent manner, CUDGC consults with the Registrar and credit unions to establish standards of sound business practice. All credit unions must follow these sound business practices.

CUDGC can direct credit unions to take immediate action on matters that may put depositors' monies at risk. The Registrar has the ultimate responsibility to ensure CUDGC is fulfilling its duties under the Act. Lack of effective supervision could result in loss of deposits and public confidence.

Assigning roles and responsibilities

During the course of our audit, we became aware of unclear assignment of roles and responsibilities.

³ CUCS is the trade association and primary service supplier for credit unions and is now called SaskCentral.

As we stated earlier, Justice has appointed an individual as Registrar of credit unions in accordance with *The Credit Union Act, 1998* (Act). The Minister has also appointed a Deputy Registrar of credit unions under the Act. The appointed Registrar and Deputy Registrar are employees of the Commission. The Act states:

Notwithstanding any other provision of this Act or the regulations or of any other Act or law, where, pursuant to *The Saskatchewan Financial Services Commission Act*, the Saskatchewan Financial Services Commission **is assigned the performance** of all or any of the responsibilities imposed on the registrar and the exercise of all or any of the powers given to the registrar by this Act or the regulations: **[emphasis added]**

- (a) any reference with respect to those responsibilities or powers in this Act or the regulations to the registrar is to be interpreted as a reference to the Saskatchewan Financial Services Commission; and
- (b) this Act and the regulation are to be interpreted subject to the provisions of *The Saskatchewan Financial Services Commission Act*.

The Commission's *2009-10 Annual Report* describes that the Commission regulates the credit union system. Because the Registrar has no specific resources and employees, it uses the Commission's resources and employees to oversee regulation of credit unions. For example, Commission employees review standards and reports relating to credit unions and attend meetings relating to operations of credit unions. Yet the Chair of the Commission advised us that the Registrar's roles and responsibilities to regulate credit unions have not been assigned to the Commission.

Also, the Registrar has delegated to an employee of another government agency the corporate registry functions conferred upon the Registrar under the Act. However, the Registrar does not have documentary evidence that the delegated work is done on time and complies with the law. Lack of clear roles and responsibilities increases the risk that regulatory supervision may not be proper and timely.

1. **We recommend that the Ministry of Justice and Attorney General and the Saskatchewan Financial Services Commission formally assign roles and responsibilities to supervise regulation of credit unions.**

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether the Registrar of credit unions had adequate processes for the year ended December 31, 2010 to fulfill its responsibilities to supervise the regulation of credit unions. Our audit did not examine the Credit Unions Deposit Guarantee Fund⁴ nor the Credit Union Deposit Guarantee Corporation (CUDGC).

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*. To evaluate the Registrar's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. The Registrar agreed with the criteria (see Exhibit).

Exhibit —Audit criteria

To fulfill its responsibilities to supervise the regulation of credit unions, the Registrar needs adequate processes to:

1. Approve and register

Issue certifications of incorporation in accordance with legislation
Maintain listing of registered credit unions

2. Ensure sound business standards

Work with CUDGC to establish standards of sound business practice
Ensure CUDGC communicates established standards to all credit unions
Ensure CUDGC uses a risk-based framework to determine the level and frequency of attention required

3. Monitor performance

Assess adequacy of CUDGC's work including monitoring compliance with the standards of sound business practice
Ensure timely financial reports from CUDGC and monitor its financial condition
Monitor complaints and ensure corrective action

We concluded that, for the year ended December 31, 2010, the Registrar had adequate processes to supervise the regulation of credit unions.

⁴ Credit unions pay an annual assessment to the Credit Unions Deposit Guarantee Fund, which is managed by CUDGC. The guarantee fund is a pool of money set aside to provide a guaranteed repayment of the full amount of funds on deposit in Saskatchewan credit unions.

Key findings

We provide below our detailed findings for each criterion.

Approve and register

Only incorporated credit unions approved by the Registrar can operate in the province. The Registrar issues certificates of incorporation once a new credit union has met all of the terms under *The Credit Union Act, 1998* (Act). While some existing credit unions have merged (i.e., amalgamated) to form new credit unions, no new credit union has been established in the province for some time. The Registrar has formally delegated credit union corporate registry functions to the Director of the Corporations Branch⁵ (Corporate Registry) of Justice. The Corporate Registry reviews bylaws and articles of amalgamation to ensure they comply with the Act. The Corporate Registry signs certificates of amalgamation. Although the Registrar has delegated in writing to the Director the corporate registry functions conferred on the Registrar under the Act, there was no documentary evidence of the Registrar's review of Corporate Registry's work. To ensure all delegated work is done on time and complies with the Act, the Registrar should periodically review the work delegated to others.

On behalf of the Registrar, the Corporate Registry maintains a list of incorporated (i.e., registered) credit unions in the province. At March 31, 2011, Saskatchewan had 61 registered credit unions. The public can obtain registry information about a credit union for a fee. To maintain their incorporation, the Registrar requires credit unions to submit their annual returns⁶ to the Corporate Registry. When the Corporate Registry does not receive returns within the allowed timeframe, it sends reminder letters to credit unions. We noted four instances where the Corporate Registry did not receive annual returns within the allowed timeframe. In one instance, the Corporate Registry did not receive the 2009 annual return in time but it did not send out the required reminder letter until October 2010. Lack of timely submission of credit union returns could result in outdated or inaccurate information available at the Corporate Registry. The Registrar

⁵ The Corporations Branch of the Ministry of Justice and Attorney General transferred to the Information Services Corporation on October 1, 2010 and is now called the Corporate Registry.

⁶ An annual return includes information about the directors of a credit union.

should follow up on credit unions that do not submit their annual returns on time.

When the Registrar becomes aware that a credit union, not registered under the Act, is operating in the province, the Registrar issues a cease and desist order. The order requires the unregistered credit union to stop accepting deposits from Saskatchewan residents and cease operations. It may also require the credit union to return all customers' deposits in full. During the audit period, the Registrar issued one cease and desist order.

Ensure sound business standards

As required under the Act, CUDGC, in consultation with the Registrar, establishes standards of sound business practices that credit unions must follow. CUDGC provides draft standards or revisions to the standards to the Registrar for review. The Registrar reviews the standards for consistency with standards issued by the regulator of banking institutions in Canada and makes CUDGC aware of any inconsistencies. Upon approval by the Board of CUDGC and filing with the Registrar, the standards become effective. The standards help protect customer deposits and contribute to prudent operation of credit unions.

CUDGC uses several ways of communicating the standards of sound business practices to credit unions. Current standards are posted on an intranet and each credit union has access. Also, CUDGC sends to all credit unions written communications about changes to existing standards. The Registrar also receives and reviews copies of such communications.

CUDGC uses a risk-based framework to supervise credit unions. CUDGC determines a credit union's risk level based on ongoing monitoring. This monitoring includes review of financial information and on-site reviews of operations. CUDGC determines the level and frequency of supervision based on risk level. Credit unions exhibiting unfavourable trends in financial performance, risk management practices or governance require additional supervisory attention. The Registrar reviews quarterly reports from CUDGC on its intervention activities for those credit unions that CUDGC determines are higher risk. Intervention activities include seeking additional information, discussing concerns with boards of directors and senior management, monitoring corrective actions, or placing high-risk

credit unions under CUDGC administration. Early detection of issues ensures early intervention to help resolve issues quickly resulting in lower risk of financial loss or loss of depositor confidence.

Monitor performance

CUDGC performs on-site visits of credit unions on a rotational basis. The Registrar receives and reviews a work schedule of CUDGC for these on-site visits. The work schedule shows that CUDGC plans to visit each credit union every three years or more frequently for high-risk credit unions. During these on-site reviews, CUDGC determines whether credit unions follow the standards of sound business practices. The Registrar reviews a copy of CUDGC review reports for credit unions that need to improve compliance with established standards. The Registrar follows up on compliance progress by reviewing the quarterly report on CUDGC's intervention activities.

Each quarter, the Registrar reviews CUDGC's board minute package. The board package includes year to date financial information on the credit union system and the guarantee fund. The Registrar also receives CUDGC's annual report on a timely basis. The Registrar participates on two committees with CUDGC that meet quarterly. SaskCentral also participates on one of these committees. These committees discuss matters, such as financial highlights, risk-based supervision, and key performance indicators.

All customer complaints generally go through SaskCentral. At times, credit unions themselves can also receive customer complaints. Often, customers send complaints directly to the Registrar (or the Saskatchewan Financial Services Commission). The Registrar forwards all complaints it receives to SaskCentral to investigate and address. The Registrar has established a complaint-handling policy. SaskCentral is required to inform the Registrar of the results of investigations of customer complaints. During the quarterly meetings with SaskCentral noted above, the Registrar discusses the nature of complaints, status of investigations and resolutions.

Selected references

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Superintendent of Pensions—Processes to supervise pension plans—a follow-up

Background

About 47% of paid workers in Saskatchewan participate in registered pension plans.⁷ When a pension promise is made, this is the first step in the creation of a complex arrangement known as a pension plan. The appropriate management and oversight of this complex arrangement is critical to the fulfillment of the pension promise.

To help ensure that pension plans are well managed, the Government needs an adequate regulatory and supervisory framework. *The Pension Benefits Act, 1992* (Act) provides this framework. The Act applies to all private sector pension plans and some public sector pension plans. The Act sets out requirements for registration, amendment, and termination of pension plans. Justice appoints a Superintendent of Pensions (Superintendent) to administer and enforce the Act. The Superintendent is responsible to reduce the risk of financial loss or inequities to pension plan members. The Superintendent carries out this responsibility by supervising pension plans.

⁷ Financial Services Commission (2010): *A statistical perspective on pension plans registered in Saskatchewan*.

In 2004, we examined if the Superintendent had adequate processes to supervise pension plans. We reported the result of our work in our 2005 Report – Volume 1. We made four recommendations to help improve the Superintendent's supervisory processes. In June 2005, the Standing Committee on Public Accounts agreed with our recommendations. In 2007, we followed up on the four recommendations. Our 2007 Report – Volume 3, Chapter 15 (pp. 297-300) reported the results of our follow-up. We continued to make two recommendations to help improve the supervision of pension plans.

In 2011, we performed a second follow-up. We describe below the two outstanding recommendations (in bold) and the Superintendent's actions up to March 31, 2011.

Analyze key risks faced by all pension plans

We recommended that the Superintendent of Pensions expand its analysis of pension plan risks to include the key risks faced by all pension plans. (2005 Report – Volume 1)

The Superintendent established a comprehensive risk assessment process to identify and evaluate key risks faced by all pension plans. The Superintendent also provided guidance to staff on how to rank and prioritize the key risks to determine the supervisory methods the Superintendent would carry out to assess the pension plans' management of those key risks. As part of this risk assessment process, the Superintendent identified and documented over 31 risks faced by pension plans. The Superintendent assessed all these risks and weighted them based on the likelihood of the risk occurring and the impact it would have if it occurred. The Superintendent used this weighting to rank all the risks and to determine the key risks faced by pension plans.

Status – Implemented.

Risk-based work plan

We recommended that the Superintendent of Pensions prepare a risk-based work plan to supervise pension plans. (2005 Report – Volume 1)

The Superintendent completed a comprehensive risk assessment based on all the key risks faced by pension plans. The Superintendent used this risk assessment to analyze possible supervisory methods available to cover off these risks. The Superintendent then decided which risks it would accept and which risks it would mitigate and by what supervisory method. The Superintendent based its work plan on these supervisory methods including on-site examinations for some of the higher-risk pension plans. The Superintendent documented what activities must be carried out, by whom, and the timeframe for completion. The Superintendent also established performance measures for some of its supervisory methods.

Status – Implemented.

Municipal Affairs

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Main points

This chapter includes the results of our 2010 audit of the Northern Municipal Trust Account. The Northern Municipal Trust Account's senior management did not receive periodic financial and other reports as required by established procedures. Without accurate and timely periodic reports, senior management may not have the information they need to make informed decisions.

Introduction

The mandate of the Ministry of Municipal Affairs (Ministry) is to work with municipalities, their representative organizations, and other provincial ministries to help ensure effective local government and sustainable municipal infrastructure and services. The Ministry also provides the legislative framework as well as some technical and policy support for cities, urban, rural and northern municipalities.¹ The Ministry is responsible for the following Crown agency and special purpose fund:

	<u>Year-end</u>
Municipal Potash Tax Sharing Administration Board	December 31
Northern Municipal Trust Account	December 31

We reported the results of our audit of the Ministry in our 2010 Report – Volume 2.

This chapter includes the results of our 2010 audit of the Northern Municipal Trust Account.

Northern Municipal Trust Account

The Northern Municipalities Act (Act) establishes the Northern Municipal Trust Account (NMTA) and its Management Board (Board). Cabinet appoints the Board. The Board advises the Minister on the allocation of northern operating and capital grants and any changes to the law concerning NMTA. The Act makes the Ministry of Municipal Affairs responsible for administering NMTA.

NMTA is a special account established under the Act and has two main purposes:

- ♦ To assist northern municipalities in providing quality services to their residents by funding operating and capital needs
- ♦ To administer and fund the municipal functions of the Northern Saskatchewan Administration District (NSAD)^{2,3}

¹Ministry of Municipal Affairs 2009-10 Annual Report.

²The rural areas in the northern part of the province are part of the Northern Saskatchewan Administrative District.

³Northern Municipal Trust Account, 2009 Annual Report. p. 4.

NMTA includes all revenues of the NSAD and money from the General Revenue Fund for the purposes of northern operating and capital grants programs (e.g., grants for operations, water and sewer systems, and municipal facilities). In 2010, NMTA had revenues of \$23.4 million including \$14.0 million from the General Revenue Fund, expenses of \$24.4 million including grants of \$19.3 million, and held assets of \$40.8 million including capital assets of \$5.5 million as at December 31, 2010.

Audit conclusion and findings

In our opinion, for the year ended December 31, 2010:

- ♦ **NMTA had adequate rules and procedures to safeguard public resources except for the matter reported below**
- ♦ **NMTA complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- ♦ **NMTA had reliable financial statements**

Periodic reporting needs improvement

NMTA's procedures require staff to prepare financial reports each quarter and a performance report mid-year that describes NMTA's progress towards achieving its strategic goals and objectives. Information in these periodic reports are to help senior management assess NMTA's financial and operational performance throughout the year so that they can make informed decisions.

In 2010, staff did not prepare the financial reports for the second quarter and the mid-year report as required. Although staff prepared the financial report for the third quarter, the report was not complete. It did not include some significant amounts. For example, it missed approximately \$3.9 million of leases receivable and \$10.7 million in water and sewer transfers. In addition, NMTA's year-end financial report contained numerous errors. Without accurate and timely periodic reports, senior management may not have the information they need to make informed decisions.

- 1. We recommend that the Northern Municipal Trust Account follow its established procedures to prepare accurate and timely financial and performance reports.**

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Main points

The Regional Health Services Act makes regional health authorities responsible to grant medical privileges to physicians. Physicians must receive medical privileges before they can admit patients to hospitals to do diagnostic tests, perform surgeries, etc.

Prairie North Regional Health Authority did not have adequate processes to grant medical privileges for the 12 months ended January 31, 2011. It did not:

- ◆ Set requirements for physicians doing special procedures or practicing as specialists
- ◆ Obtain all required documents before granting medical privileges
- ◆ Conduct reference checks for physicians applying for medical privileges in its hospitals for the first time
- ◆ Analyze physicians' compliance with medical privileges granted and revise as necessary
- ◆ Seek its Board's approval for all medical privileges
- ◆ Monitor whether its processes to grant medical privileges align with its bylaws
- ◆ Clarify responsibilities for granting medical privileges of the chief of medical staff and committees in each community

Granting medical privileges to physicians who are not adequately qualified could result in harm to patients. We encourage other regional health authorities to use the criteria described in this chapter to assess their own processes for granting medical privileges.

Introduction—Granting medical privileges

The Prairie North Regional Health Authority (Prairie North) provides health services to the northwest part of central Saskatchewan. In 2009-10, Prairie North spent about \$74.4 million on its acute care services. Many of these services require the direct involvement of physicians. Prairie North is responsible to ensure that qualified physicians deliver safe, competent health care in its hospitals. One way Prairie North does this is by granting medical privileges to eligible physicians.

Prairie North grants medical privileges to over 100 physicians on an ongoing basis. Prairie North requires physicians' services in the provincial psychiatric rehabilitation hospital, two regional hospitals (North Battleford, Lloydminster), one district hospital (Meadow Lake), and two community hospitals (Maidstone, Turtleford).

We audited the processes Prairie North used to grant medical privileges to physicians.

Background

Physicians must receive medical privileges before they can admit patients to hospital, do diagnostic tests, deliver babies, care for premature infants, perform surgery, administer anaesthesia, etc. Medical privileges give physicians access to equipment, staff, and other hospital resources. Medical privileges specify exactly which medical procedures the physician has the education, skill, and experience to perform safely.

The Regional Health Services Act makes the Boards of regional health authorities (RHAs) responsible to grant medical privileges to physicians. RHAs use model Practitioner Staff Bylaws approved by the Ministry of Health as a base for processes to grant medical privileges and amend, suspend, or revoke, if required, the medical privileges granted.

Granting medical privileges to physicians who are not adequately qualified could result in inadequate care, harm to patients, and loss of public confidence in the healthcare system. Not having enough physicians with medical privileges is one of the human resources risks many RHAs face. RHAs often need to replace physicians and medical specialists who move to other centres. RHAs must balance their need for

enough physicians to provide hospital services effectively with their role to grant medical privileges for safe, competent care.

RHAs receive advice about granting medical privileges from senior physicians. Senior physicians in RHAs include the Vice President of Medical Services (senior medical officer), the chief of medical staff in each hospital, and physicians who are responsible for physician services in hospital departments (e.g., surgery, obstetrics). These physicians work together using practitioner advisory committees to guide policy decisions and other committees (e.g., credentials committees and medical advisory committees in each community) to recommend medical privileges.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether the Prairie North Regional Health Authority had adequate processes to grant medical privileges during the 12 months ended January 31, 2011. We focused on processes to grant medical privileges for services in hospitals. For the purposes of this audit, we define medical privileges as "the authority granted by the Board ... to a physician ... to admit, register, diagnose, treat or discharge patients in respect of a facility, program or service operated or delivered by the regional health authority." We did not audit the medical practice of physicians in the region.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate Prairie North's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. Prairie North's management agreed with the criteria (see Exhibit 1).

Exhibit 1—Audit criteria for granting medical privileges

To have adequate processes to grant medical privileges, RHAs should:

1. Identify standards for granting medical privileges
 - 1.1. Identify medical privileges required to meet regional needs
 - 1.2. Align processes for granting medical privileges with bylaws
 - 1.3. Identify requirements to grant specific medical privileges
2. Grant medical privileges to qualified applicants
 - 2.1. Assess applicants
 - 2.2. Verify qualifications
 - 2.3. Obtain Board approval of medical privileges promptly
 - 2.4. Communicate medical privileges to facility staff
3. Monitor use of medical privileges granted
 - 3.1. Assess compliance with medical privileges granted
 - 3.2. Investigate complaints
 - 3.3. Obtain Board approval to amend, suspend, or revoke privileges if required

We concluded that the Prairie North Regional Health Authority did not have adequate processes to grant medical privileges in hospitals during the 12 months ended January 31, 2011.

Key findings and recommendations

We set out below our expectations (criteria) in italics, related key findings, and recommendations.

Identifying standards for granting medical privileges

We expected RHAs to identify what medical privileges they should grant by identifying regional needs for physician services (e.g., number, skills, type of specialists). We expected RHAs to align their processes with bylaws governing the granting of medical privileges. We expected RHAs to have formal requirements for the various types of medical privileges granted to physicians.

Prairie North assessed its need for physicians throughout the region during its regular Board and medical advisory committees' meetings. The bylaws required the Board to receive annually a plan for physician services. In September 2010, senior management reported to the Board the current number of physicians and specialists in each community and the projected need for physician services based on historical patterns and

planned health services. In early 2011, Prairie North hired an external consultant to assess the current and the anticipated need for physicians to serve the growing population in the Lloydminster area.

Prairie North aligned most of its processes for granting medical privileges with its bylaws. In 2006, Prairie North adopted as its bylaws the detailed model Practitioner Staff Bylaws approved by the Ministry of Health. The bylaws broadly outlined the process and assigned responsibility for granting medical privileges to the Board. Also, the bylaws assigned responsibility to grant temporary medical privileges to the senior medical officer and required that these would be submitted for approval or amendment at the next Board meeting.

The bylaws required Prairie North's practitioner advisory committee to provide policy advice to coordinate processes to grant medical privileges consistently throughout the health region. Prairie North did not have relevant policies and did not apply its processes for granting medical privileges consistently across the region as explained later in this chapter. Prairie North did not monitor on an overall basis whether its processes for granting medical privileges were aligned with the bylaws and consistent throughout the region.

1. **We recommend that the Prairie North Regional Health Authority monitor whether its processes for granting medical privileges are aligned with its Practitioner Staff Bylaws and take action to ensure consistent processes across the region.**

Prairie North did not set out in its bylaws or elsewhere the role of the chief of medical staff or the medical advisory committee in each hospital. One hospital had a vacancy in the chief of medical staff position resulting in challenges in implementing the bylaws. Clarifying responsibilities and delegating duties when necessary would help Prairie North grant medical privileges to qualified physicians efficiently and consistently.

2. **We recommend that the Prairie North Regional Health Authority clarify the responsibilities of the chief of medical staff and committees in each hospital for granting medical privileges.**

Prairie North's bylaws required that it grant medical privileges only to physicians licensed by the College of Physicians and Surgeons of Saskatchewan (the College). The College issues a license to practice medicine which states the nature of medical practice allowed. For example, it may allow medical practice as a general practitioner or specialist, limit the medical practice, or set conditions such as working closely with other physicians. Prairie North relied on the College to license only those physicians who had an appropriate medical education and sufficient supervised practical experience.

The bylaws allowed Prairie North to set additional requirements if the physician would be practicing medicine as a specialist (e.g., psychiatrist) or doing special procedures such as anaesthesia. Prairie North had not set additional requirements for specialists or for physicians doing special procedures. Physicians requested medical privileges for those specific procedures they felt competent to perform and senior physicians recommended which ones the medical advisory committee should grant. Without policies to clarify what the Board expects in terms of the training, experience, and skills required for specialty areas, Prairie North might not grant appropriate medical privileges consistently across the region.

3. **We recommend that the Prairie North Regional Health Authority set requirements for granting medical privileges to physicians doing special procedures such as anaesthesia or practicing as specialists in the region.**

Granting medical privileges to qualified applicants

We expected RHAs to grant medical privileges after assessing and verifying that applicants had the required education, skill, attributes, and experience necessary to practice medicine safely. We expected RHAs to promptly obtain Board approval for medical privileges and communicate the approved medical privileges to hospital staff.

Senior physicians reviewed applications for medical privileges before submitting them to the appropriate committee for review and recommendation. The applications they reviewed were not always complete. In some cases, Prairie North sent a letter to the physician requesting missing information. Prairie North did not have consistent processes to ensure applications were complete.

During the audit period, we found several incomplete applications. The bylaws required physicians to provide specific items with their applications for medical privileges (e.g., copy of current medical license, proof of liability insurance). We found Prairie North had these specific items for 88% of physicians applying for medical privileges for the first time in Prairie North. However, when Prairie North reappointed physicians, only 55% of applications had a copy of the current medical license and 40% had proof of liability insurance. In some communities, Prairie North did not know if all its physicians had a current medical license.

In addition, the bylaws required new physicians to provide a current criminal record check whether their previous residence was in Canada or elsewhere. Prairie North obtained a criminal record check for new physicians in one community but not for physicians in other communities. We found 25% of physicians new to Prairie North provided a criminal record check when applying for medical privileges. Prairie North did not seek further information if it was not provided. Without complete information, Prairie North cannot adequately assess whether physicians are eligible to practice medicine in its hospitals. Prairie North did not grant medical privileges consistently in all communities providing physician services.

- 4. We recommend that the Prairie North Regional Health Authority consistently require physicians to submit complete applications with the documentation required by its Practitioner Staff Bylaws before granting medical privileges.**

We expected Prairie North to contact people named as references for physicians applying to practice medicine in its hospitals for the first time. References would allow Prairie North to evaluate physicians' competence, character, and ethics. Prairie North checked references for 38% of new physicians by receiving a standard form (e.g., checklist and questions) to evaluate the applicant. Prairie North seldom called previous employers or other people named as character or professional references. This step could have helped Prairie North verify that the applicants had adequate competence to practice medicine in its hospitals.

- 5. We recommend that the Prairie North Regional Health Authority conduct reference checks for physicians applying to practice medicine in its hospitals for the first time.**

After the senior physicians and appropriate committees review the applications, the bylaws required the Board to approve or amend the recommended medical privileges at its next regular meeting. Not all applications for medical privileges went to the Board for approval after being reviewed by senior physicians and the appropriate committees. Prairie North did not seek Board approval for 25% of the first time applicants requesting medical privileges during our audit period. In these cases, the senior medical officer granted these physicians temporary medical privileges. Sometimes the Board had not approved the recommended medical privileges for several months. This puts Prairie North, the physicians, and hospital patients at risk.

- 6. We recommend that the Prairie North Regional Health Authority approve, amend, or revoke recommended medical privileges at the Board's next regular meeting as required by its Practitioner Staff Bylaws and inform the Board of any temporary medical privileges granted.**

After the Board decides the medical privileges it will grant, Prairie North should communicate clearly to its hospital staff the medical privileges granted to each physician. For initial appointments, senior physicians sent memos to all staff detailing the medical privileges granted. For reappointments during 2010, Prairie North did not use a consistent process. Prairie North communicated to hospital staff the detailed medical privileges granted for 40% of reappointed physicians and did not communicate the medical privileges granted for 50% of reappointed physicians. In some communities, if there was no change in medical privileges granted, Prairie North did not consider it necessary to inform hospital staff. Medical privileges for 10% of reappointed physicians had not yet gone through the approval process.

Monitoring use of medical privileges granted

We expected RHAs to monitor the use of medical privileges granted by assessing whether physicians complied with these privileges. We expected RHAs to investigate complaints and if required obtain Board approval to amend, suspend, or revoke medical privileges.

Prairie North did not have a formal process to monitor and assess how physicians used their medical privileges before it renewed the medical privileges. The medical advisory committees sometimes discussed if physicians complied with the medical privileges granted and recommended amending those medical privileges if necessary. Prairie North did not use this practice consistently in all communities and did not routinely verify how often physicians did procedures that are particularly challenging (e.g., anaesthesia).

Management told us that in smaller centres the senior physician would know how often a physician performed specific procedures and whether they were done in accordance with the privileges granted. Many medical procedures are complex and require significant practice to retain the required skill. A formal process to review certain privileges and determine if physicians carry them out often enough to retain skills would help Prairie North keep its hospital patients safe. It would also help Prairie North to identify those physicians who should attend refresher courses of various kinds.

- 7. We recommend that the Prairie North Regional Health Authority analyze whether physicians complied with the medical privileges granted and revise medical privileges as necessary.**

The bylaws set out the procedures for investigating complaints and Prairie North followed these procedures. During the audit, we found that community members informed Prairie North of complaints about medical practice and senior physicians investigated the complaints appropriately. The senior physician also informed the Board about complaints. In addition, every three months senior management provided the Board with a Client Concern Handling Report. The report presented the total number of complaints within three major areas of interest – cultural, deportment or conduct, and physician-related complaints.

During the audit, the Board approved the medical privileges recommended by medical advisory committees for renewal and amended the privileges granted in some cases. The Board did not suspend or revoke any privileges during the audit period.

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**Prince Albert Parkland Regional Health
Authority**

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Main points

Prince Albert Parkland Regional Health Authority (PA Parkland) uses information technology systems and data for admissions, treatment records, laboratory results, prescription information, and finances. PA Parkland has two main service providers managing its systems and data.

The objective of this audit was to assess whether PA Parkland had adequate processes to secure (i.e., protect the confidentiality, integrity, and availability of) its information technology systems and data for the period August 1, 2010 to January 31, 2011.

We concluded that for the period August 1, 2010 to January 31, 2011, PA Parkland had adequate processes to secure (i.e., protect the confidentiality, integrity, and availability of) its information technology systems and data except for the following. To protect its systems and data, PA Parkland needs to monitor whether its service providers meet its security requirements. It should also restrict physical access to its systems and data and maintain and test its disaster recovery plan. Physical access controls protect computers and network devices from unauthorized access and disaster recovery plans ensure systems and data are available when needed.

Introduction—Securing IT systems and data

The Prince Albert Parkland Regional Health Authority (PA Parkland) is responsible for the planning, organization, delivery, and evaluation of health services in its health region. PA Parkland, with 2,400 employees, is responsible for providing health services to the region's population of 78,000 people at an annual cost of about \$181 million.¹

Information technology (IT) has become a key tool in managing and delivering health services. PA Parkland uses IT systems and data for admissions, treatment records, laboratory results, prescription information, and finances. IT systems collect, store, and process information, including confidential information, used for treatment of individuals and for planning and decision making at the regional and provincial level.

Securing PA Parkland's systems and data is of fundamental importance for safe and effective delivery of health services and protection of patients' interests. Use and protection of IT will become even more important as electronic health records are implemented in Saskatchewan.

PA Parkland uses two main service providers to manage its systems and data. One service provider is an agency of the Ministry of Health; the other service provider is a private sector company. PA Parkland must oversee the security provided by these service providers.

Inadequate security of IT systems and data increases the risk that patients' medical records could be lost, inaccurate, compromised, or not available when needed, resulting in incorrect decisions and mistakes in patient care. Inadequate security could also lead to inappropriate disclosure of patients' medical records.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether the Prince Albert Parkland Regional Health Authority had adequate processes to secure (i.e., protect the confidentiality, integrity, and availability of) its information

¹ *Prince Albert Parkland Regional Health Authority 2009-2010 Annual Report* (pp.5, 32, 34).

technology systems and data for the period August 1, 2010 to January 31, 2011.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate PA Parkland's processes, we used criteria based on the *Trust Services Principles, Criteria, and Illustrations*, international standards, and literature and reports of other legislative auditors (see the selected references). PA Parkland agreed with the criteria in Exhibit 1.

Exhibit 1—Audit criteria

To have adequate controls to secure (i.e., protect the confidentiality, integrity, and availability) its information technology systems and data, we expect Prince Albert Parkland RHA to:

1. Show management commitment to security

Responsibility for security is clearly defined
IT planning supports security
Management has approved security policies and procedures
Management monitors security including service providers

2. Protect systems and data from unauthorized access

User access controls protect the systems and data from unauthorized access
Physical security controls protect against unauthorized access

3. Keep systems and data available for operation

System and data backups occur and are tested
Disaster recovery plans are in place and are tested

4. Maintain the integrity of systems and data

Change management processes exist and are followed
Computer operation processes exist and are followed

We concluded that for the period August 1, 2010 to January 31, 2011, the Prince Albert Parkland Regional Health Authority had adequate processes to secure (i.e., protect the confidentiality, integrity, and availability of) its information technology systems and data except for its processes to:

- ♦ **Monitor whether its information technology service providers meet its security requirements**
- ♦ **Adequately restrict physical access to information technology systems and data**
- ♦ **Maintain and test its disaster recovery plan**

Key findings and recommendations

We describe below what we expected (in italics) and our key findings for each criterion together with our recommendations.

Show management commitment to security

Management commitment includes setting up an organizational structure that clearly defines who is responsible for security. We expected PA Parkland would have a member of senior management lead the IT division. We expected PA Parkland to have an approved IT strategic plan. Commitment also includes implementing and monitoring compliance with security policies and procedures. We expected management would effectively monitor service providers who perform work on its behalf.

PA Parkland has an appropriate organizational structure for IT, including leadership by members of senior management. The IT area has experienced significant change but PA Parkland's IT strategic plan does not reflect the impact of this change. Management told us that it plans to update its IT strategic plan.

PA Parkland has adequate IT security policies and procedures. To deliver IT services and help manage security, PA Parkland makes significant use of two service providers. PA Parkland has adequately documented security requirements with one of the service providers. PA Parkland needs to ensure it agrees on security requirements with both. PA Parkland does not receive sufficient security reports from its service providers or routinely use quality assurance or third party assessments that would allow it to assess the security of the services provided. Weaknesses at the security providers could adversely affect the security of PA Parkland's systems and data.

1. **We recommend that the Prince Albert Parkland Regional Health Authority monitor whether its information technology service providers meet its security requirements.**

Protect systems and data from unauthorized access

We expected PA Parkland to have adequate physical access and user access processes to protect its systems and data from unauthorized access.

Good physical control means protecting IT infrastructure from harm. Physical access controls protect all computers and network devices from unauthorized access. For example, a locked door could physically prevent unauthorized users from accessing a server room.

User access controls ensure only approved people or processes can use an IT system. A common example of a user access control is a username and a password. The username identifies the user and the password grants access.

Protecting systems from unauthorized access is more critical with the increased use of the Internet, automated processes, and multiple locations. PA Parkland should protect its data by configuring, updating, and monitoring its systems against security threats.

PA Parkland needs to improve its physical access controls. PA Parkland secures its data centre with locked doors. However, it permits a large number of employees to have physical access to the data centre. PA Parkland monitors who has physical access to the data centre and uses video surveillance in the area of the entrance to the data centre. PA Parkland does not lock all wiring closets that permit access to network equipment.

PA Parkland does not require encryption of portable computers. This increases the risk of unauthorized access to sensitive information if a portable computer is lost or stolen. PA Parkland has provided employees with portable USB memory devices that offer encryption. However, PA Parkland did not provide employees with training on how to use the devices securely. We found sensitive data unencrypted on such a device. Management told us that it intends to secure its portable computers and restrict the use of USB memory devices.

2. **We recommend that the Prince Albert Parkland Regional Health Authority restrict physical access to information technology systems and data.**

PA Parkland has procedures to grant, modify, and remove user access to its computers and network. PA Parkland uses its service providers to manage access. PA Parkland did not consistently notify its service providers on a timely basis to remove user access to its network and data (e.g., for terminated employees). By the end of the audit period, PA Parkland was providing timely reports to the service providers to help ensure that user access was appropriate.

PA Parkland has established policies with one of the service providers to help protect its systems and data from unauthorized access. The service provider has configured equipment to enforce the agreed-upon rules. The service provider updated PA Parkland's servers and network equipment for known weaknesses on a timely basis.

The service provider also maintains the firewall that protects PA Parkland's data centre. The service provider monitors the firewall and alerts PA Parkland when necessary.

Keep systems and data available for operation

We expected PA Parkland to have adequate processes to ensure its systems and data are available for operation when needed.

Even with good backup and recovery procedures, PA Parkland might not be able to continue its operations if a major problem occurred. Therefore, we expected PA Parkland to have a contingency plan to recover operations in the event of a disaster like a fire or flood. This includes building capacity into systems, when cost effective, so a disaster in one location will not cause applications to quit running at other locations where employees are still able to work.

PA Parkland has adequate environmental controls (e.g., for temperature changes) for its data centre. These controls assist in preventing damage to the data centre.

PA Parkland uses one of the service providers to back up its data. Backed up data is kept at a location outside the health region. This assists in keeping data available for operation, particularly in the event of a local disaster.

PA Parkland has developed a disaster recovery plan. The plan contains information to assist PA Parkland in coping with an interruption in its IT services. However, the plan was not based on a threat and risk assessment. This increases the chance that the plan may not address significant risks.

The disaster recovery plan had not been updated since it was finalized in April 2008. Since that time there have been changes in PA Parkland. There was a limited test of the plan in 2009. The documentation for the test included recommended actions. PA Parkland did not document action taken on the recommendations. Not having an up-to-date and tested disaster recovery plan increases the risk that systems and data may not be available when needed.

3. **We recommend that the Prince Albert Parkland Regional Health Authority maintain an up-to-date and tested disaster recovery plan based on a threat and risk assessment.**

Maintain the integrity of systems and data

We expected PA Parkland to have processes for maintaining the integrity of its systems and data by implementing adequate configuration, update, monitoring, and IT operation processes. Adequate processes require approving and testing system changes before implementation. PA Parkland must also ensure that it has adequate processes for running and maintaining its computers.

PA Parkland uses change management processes extensively to manage the work of its service providers. The change management processes are defined and consistent. Before changes are made, the change management process records approvals for implementation, testing, and back-out plans.

We discuss PA Parkland's processes for configuration, updating, and monitoring of its systems and data in more detail in the preceding sections.

Glossary

Account—A unique identity set up on a computer or network that allows access to specific systems and data.

Application—A software program. This includes programs such as word processors, spreadsheets, database programs, accounting programs, etc.

Backup (noun)—A copy of systems or data to be used when the originals are not available (e.g., because of loss or damage).

Change management—An organized approach for introducing changes into a program or process, used to minimize unintended consequences.

Configure—To set up or arrange in order to achieve a specific purpose (e.g., maximize security).

Data centre—A central location for computer network hardware and software, especially storage devices for data.

Disaster recovery plan—A plan for an organization to restore necessary IT services in the event of an emergency or disaster. A disaster recovery plan is one part of a larger, organization-wide business continuity plan.

Encryption—A method of putting information in code so that only authorized users will be able to see or use the information.

Environmental controls—The controls in place at an organization to manage risks posed by the physical location of computers or network equipment. Examples include fire suppression systems, moisture detectors, and uninterruptable power supplies.

Firewall—Software and/or hardware intended to restrict or block access to a network or computer. Firewalls can be set up to only allow certain types of data through.

IT strategic plan—A plan indicating how an organization intends to use IT to further its business goals and objectives.

Network—A group of computers that communicate with each other.

Physical access controls—The controls in place at an organization that restrict unauthorized people from gaining physical access to computers or network equipment. Examples include locked doors and cabinets, and video surveillance systems.

Server—A computer that hosts systems or data for use by other computers on a network.

USB memory device—A compact memory device that uses a USB (Universal Serial Bus) interface. Also called a flash drive, thumb drive, or memory stick.

User access controls—The controls in place at an organization to restrict use of systems or data to those who have been authorized. These include physical controls such as locked doors or cabinets, as well as computer and network controls such as establishing accounts with specific access rights, requiring passwords, etc.

Wiring closet—A central location for connecting network cables.

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Main points

The Public Service Commission (PSC) is the central human resource agency responsible for representing the public interest in the administration of *The Public Service Act, 1998* and related regulations. PSC is responsible for staffing positions within the classified division of the public service. As permitted under the Act, in 2010, PSC delegated certain staffing functions to ministries.

Staffing out-of-scope positions (classified division)

We concluded that, during the 12 months ended August 31, 2010, out-of-scope classified positions were staffed in compliance with *The Public Service Act, 1998* and regulations.

The Public Service Act, 1998 requires all appointments to be made "on the basis of merit." This chapter explains that establishing minimum documentation requirements to support "merit" would assist those responsible for staffing to consistently support their decisions.

To help PSC more readily demonstrate that its staffing processes complied with the Act and regulations and that appointments were made based on merit, we recommend that when PSC is staffing out-of-scope positions in the classified division, it:

- ◆ Clarify what documents it expected managers to keep
- ◆ Use a risk-based process to confirm that essential documentation is kept

Human resource/payroll security audit

PSC is also responsible for administering the human resources and payroll system. This includes having effective central controls to secure information in its payroll and personnel computer system. At December 2010, PSC's central controls were effective other than for the following two areas. First, at December 2010, service-level agreements between PSC and ministries did not clearly assign responsibilities for key payroll activities. PSC has plans to clarify those responsibilities that ministries have delegated to PSC and those that remain with the ministries. Second, staff did not always document their review of payroll reports and where documented, staff did not always review the reports on a timely basis. This increases the risk that employees could receive incorrect payroll amounts.

Introduction

This chapter includes the results of two audits. In the first audit, we assessed whether the Public Service Commission (PSC) and ministries staff out-of-scope positions within the classified division in compliance with *The Public Service Act, 1998* and regulations. In the second audit, we assessed whether PSC had effective central controls to protect the confidentiality, integrity, and availability of transactions on its human resource/payroll system.

Staffing out-of-scope positions (classified division)

Background

By law, PSC is responsible for human resources management for Government ministries.¹ In 2009-10, PSC spent approximately \$50 million to carry out its responsibilities. These services affect 12,348 people employed by ministries including 1,984 out-of-scope employees (i.e., employees not within a collective bargaining unit).² Out-of-scope employees are typically professionals in complex technical roles or managers.

At March 31, 2010, 1,767 out-of-scope employees were in positions within the classified division of the public service (classified positions). Exhibit 1 explains the difference between the classified and unclassified divisions of the public service.

PSC is responsible for representing the public interest in the administration of *The Public Service Act, 1998* (Act), and *The Public Service Regulations, 1999* (regulations). One of the purposes of the Act is to maintain an independent and professional public service. The Act makes PSC responsible for staffing positions within the classified division. As noted later, PSC has given ministries authority to carry out some of its staffing responsibilities.

¹ *The Public Service Act, 1998*, section 20(1).

² *Public Service Commission 09-10 Annual Report*, p. 18 (spending) and p. 25 (positions).

PSC's aim is to attract and retain a professional, highly skilled, and diverse workforce for the public service.³ To achieve its aim, PSC needs appropriate staffing processes to recruit, screen, select, and appoint qualified employees. It also needs to make certain that ministries adhere to these processes. If employees are not qualified, the effectiveness of public services may be at risk and the public's confidence in the professionalism of public servants could deteriorate.

This section of the chapter sets out the results of our audit of whether PSC and ministries staff out-of-scope classified positions in compliance with *The Public Service Act, 1998* and regulations.

Exhibit 1: Classified and unclassified divisions of the public service

The public service consists of employees of ministries and other agencies whose legislation makes them part of the public service. *The Public Service Act, 1998* (Act) organizes the public service into two divisions.

1. **The unclassified division:** Cabinet, through Orders in Council, makes appointments to all positions in the unclassified division. Under the Act, this division is composed of permanent heads (such as deputy ministers), members of boards or commissions, the Clerk of the Executive Council, and any positions Cabinet decides, through an Order in Council, to be part of this division. At March 31, 2010, the unclassified division included 217 employees.
2. **The classified division:** PSC makes appointments to all positions in the classified division. Under the Act, this division is composed of all positions within the public service other than those in the unclassified division that Cabinet has removed, through an Order in Council, from the public service. At March 31, 2010, the classified division included 12,131 employees.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether out-of-scope positions within the classified division were staffed, during the 12 months ended August 31, 2010, in compliance with *The Public Service Act, 1998* and regulations.

To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*. To evaluate compliance, we used criteria based on legislation and requirements

³ *Public Service Commission Plan for 2009-10*, p. 2.

established by PSC as listed in the selected references. PSC agreed with the criteria.

Exhibit 2: Criteria

To staff out-of-scope positions in the classified division in compliance with *The Public Service Act, 1998* and regulations requires that PSC:

- ♦ Create a specific employment opportunity
- ♦ Identify qualified candidates using pre-established criteria
- ♦ Select qualified candidates

We concluded that, during the 12 months ended August 31, 2010, out-of-scope classified positions were staffed in compliance with *The Public Service Act, 1998* and regulations.

The Public Service Act, 1998 requires all appointments to be made “on the basis of merit.” This chapter explains that establishing minimum documentation requirements to support “merit” would assist those responsible for staffing to consistently support their decisions.

Overview of authorities guiding staffing of classified positions

The following authorities govern staffing for out-of-scope positions in the classified division of the public service: *The Public Service Act, 1998* (Act), *The Public Service Regulations, 1999* (regulations), and related PSC procedures and policies. In this chapter, we call these staffing authorities. For further detail on staffing authorities for classified positions, see the key staffing provisions of the Act (Exhibit 4) and footnotes that explain regulations and policies.

The Act sets basic requirements for staffing positions within the classified division. Most important is that all appointments must be made based on merit (e.g., staff appointed to a position must be qualified to carry out the duties of that position). This requirement is fundamental to maintaining a professional and capable public service—one of the stated purposes of the Act.

The Act makes PSC responsible to set procedures and policies for recruiting and appointing employees to positions within the classified

division.⁴ The Act allows PSC and permanent heads (e.g., deputy ministers) to staff positions without using a competitive process in prescribed situations. In addition, it allows a permanent head, at any time, to move employees between positions in his/her ministry.⁵ The Act allows PSC to give authority to ministries to carry out some of its responsibilities. Even in these situations, PSC retains overall responsibility for staffing.

The regulations provide specific directions for the staffing process, particularly when hiring for permanent positions in the public service. During 2009-10, PSC's staffing procedures and policies included checklists and its Leadership and Management Competency Framework.⁶

From September 1, 2009 to August 31, 2010, PSC appointed 213 employees to out-of-scope classified positions. Exhibit 3 sets out appointments by the type of staffing process used.

Exhibit 3: Out-of-scope appointments by type of staffing process used during audit period

	Staffing by PSC September 2009 to August 2010	Staffing by ministries June - August 2010	Total
Posted competitions ⁷			
Permanent positions	143	6	149
Non-permanent positions	45	1	46
	188	7	195
Non-competitive			
Permanent positions ⁸	12	0	12
Non-permanent positions ⁹	6	0	6
	18	0	18
Total	206	7	213

⁴ *The Public Service Act, 1998* (subsection 20(1)) says that, subject to the regulations, PSC shall develop procedures and policies respecting recruitment and appointment of employees to positions in the classified division.

⁵ Under section 2(p) of the Act, both positions must have the same maximum salary.

⁶ PSC uses checklists to guide managers involved in the hiring process generally and specifically related to checking for criminal records. Detail on PSC's competency framework is available at: <http://www.psc.gov.sk.ca/Default.aspx?DN=10cb8e2b-1c22-4de3-bf40-7edd8718e319>. (February 3, 2011)

⁷ PSC posts competitions on an Internet website to make them available to the public or on an internal website.

⁸ To fill these positions, permanent heads transferred employees within their ministry (*The Public Service Act, 1998* section 24) or made appointments without a competition because of an urgency, or to achieve employment equity, etc. (*The Public Service Regulations, 1999*, section 22).

⁹ These were non-posted positions with a duration of less than six months.

Key findings and recommendations

In this section, we set out our expectations (criteria) in italics, related key findings, and recommendations.

Creating the employment opportunity

The Act requires that PSC (or ministry permanent heads) make all appointments and classify positions before doing so. Classifying a position confirms that the permanent head agrees to the position's role, duties, and required qualifications. Classifying a position and setting qualifications and suitability attributes creates a foundation for judging how to staff a position "on the basis of merit" as required by the Act. Staffing authorities also require PSC to keep the job description current, re-classify the position if it changes significantly, and get approval to staff a vacant position.

To fill a vacant position, most ministries obtained and documented the required approval. PSC classified positions before a competition, making it easier to state required qualifications clearly in advertisements. For new or altered positions, PSC and ministries had up-to-date job descriptions and position classifications.

The staffing authorities expected PSC and ministries to set position requirements (pre-set criteria) before making appointments. We expected the pre-set criteria to be documented and consistent with job duties set out in the current job description and with PSC's competency framework.

The majority of files we examined had documented pre-set criteria. These criteria set out position requirements consistent with the job description and expected competencies. Also, PSC and ministries consistently noted if the position required a criminal record check.¹⁰

Before beginning a competition to staff a position, staffing authorities require that PSC assess if there are qualified persons on a re-

¹⁰ In late 2010, PSC made a criminal record check a requirement prior to all appointments to the classified division of the public service.

employment list and if so, consider them for appointment in a specific order.¹¹

PSC consistently documented via emails that it considered persons on re-employment lists.

In prescribed situations, staffing authorities allowed PSC or ministries to recruit for positions without using a competitive process (i.e., non-competitive appointments).¹² In these situations, we expected PSC and ministries to evaluate if the reasons for staffing a position without a competitive process complied with the authorities and document why. For all other positions (i.e., competitive appointments), we expected PSC and ministries to communicate the availability of positions.

For non-competitive appointments examined, files documented reasons for not using a competitive process. For competitive appointments, PSC consistently communicated the availability of positions by posting them on a public career website or an internal website. The postings generally contained sufficient information about the position to attract qualified candidates.

Identifying qualified candidates

To demonstrate consideration of merit, staffing authorities expected ministries to screen candidates using pre-set criteria as discussed in the previous section and assess qualified candidates consistently. Staffing authorities expected ministries to conduct reference checks to verify selected candidates had merit and would be suitable for the position. We expected PSC and ministries to document the results of appraising candidates through screening, assessment, and key reference responses to show the candidate had merit.

Screening candidates is an efficient best practice to speed up the staffing process and save managers' time. PSC used an electronic system (TALEO) to track positions being staffed, and to document certain staffing

¹¹ A re-employment list contains the names of current or former employees who were on disability leave, laid off due to staff reductions, etc. If several people on the re-employment list are qualified, PSC must appoint them in priority order as set out in *The Public Service Regulations, 1999* (section 11).

¹² *The Public Service Act, 1998* (section 24) and *The Public Service Regulations, 1999*, (sections 22 and 24.1).

activities. Ministries and PSC used this system when setting pre-screening criteria and sorting candidates who met these criteria.

When staffing permanent positions using a competitive process, staffing authorities required assessment of candidates by a panel comprised of representatives of the related ministry and PSC. Staffing authorities required this panel to assess candidates' education, experience, personal attributes, and knowledge. The panel must also verify the candidates' work history and performance references.

As required, PSC and ministries used panels to assess candidates when staffing permanent positions using a competitive process. PSC and ministries did not always document clearly whether the panel had appropriate representation from PSC and the ministry. In some cases, it was unclear whether a PSC representative attended interviews.

When using a competitive process to staff permanent positions, PSC and ministries most often documented assessments of candidates' qualifications. They based these assessments on interviews or written comments about performance from candidates' current supervisors.

Most files we examined had evidence that managers called previous employers or other references. When a position required a criminal record check, PSC consistently documented the results.

Selecting qualified candidates

As previously noted, the Act requires that all appointments to classified positions be made "on the basis of merit" from those candidates assessed as qualified to carry out the duties of that position. Also, the Act expects PSC to make all appointments or to delegate this power to a ministry permanent head. We expected PSC or a delegated authority would advise the successful candidate in writing of the selection decision (letter of offer) and would appoint the person who accepted the offer.

Ministries and PSC appointed candidates from those they had assessed as qualified to carry out the duties of that position. For all files examined, permanent heads or appropriately delegated staff made the appointments.

PSC and ministries used written letters of offer as contracts of employment with successful candidates. These letters documented the position title, conditions of employment, salary, and benefits of the successful candidates.

Assigning authority to ministries

We expected, where authority was delegated, PSC would assign authority for staffing in writing and clearly set out the roles and responsibilities for staffing of each party. The Act expected PSC would monitor the performance of delegated staffing activities. We expected PSC would ensure it had sufficient documentation to show compliance with staffing authorities.

PSC assigned, in writing, authority for staffing to certain of its staff (e.g., staffing consultants). Also, as permitted under the Act, on May 13, 2010, PSC's Chairperson delegated to deputy ministers staffing functions for recruiting and selecting qualified persons for out-of-scope classified positions within their own ministry.

A key to appointing qualified candidates "on the basis of merit" is for all those involved in staffing to agree what merit is and how to achieve it. Merit is not defined by the Act or regulations. PSC's procedures refer to merit. For example, PSC's staffing website states: "For out-of-scope staffing, a merit-based selection process is used, whereby candidates are rated against the competency requirements, but are also ranked relative to other candidates."

In May 2010, PSC increased the responsibilities of ministries by delegating staffing for out-of-scope positions to them. While PSC staff continue to be available for advice, ministry staff may not always consult them when staffing positions. As a result, it is critical that PSC communicate to ministry managers involved in staffing out-of-scope positions which steps of the staffing process are essential to select candidates based on merit.

Also, in its 2010 delegation, PSC stated ministries must comply with the PSC's staffing principles, adhere to the legal framework, and keep adequate documentation. Furthermore, PSC's service agreements with ministries that covered staffing processes included expectations about

documentation.¹³ These service agreements explicitly required PSC to verify that managers responsible for staffing the position completed documentation of staffing actions. Although PSC expects documentation, it did not clearly set out what documents it expected managers to keep when staffing out-of-scope positions.

- 1. We recommend that the Public Service Commission establish and communicate minimum documentation requirements to evidence that appointments to out-of-scope positions within the classified division of the public service are made based on merit.**

We did not find evidence that PSC verified the completeness of staffing documentation. If documentation is not complete, PSC cannot readily demonstrate that its staffing processes complied with the Act and regulations and that appointments were made based on merit. PSC needs to identify those staffing actions with a greater risk of non compliance with staffing authorities and confirm its documentation requirements are met.

- 2. We recommend that the Public Service Commission use a risk-based process to confirm that essential documentation related to staffing out-of-scope positions is kept.**

¹³ During the audit period, four (out of sixteen) ministries did not have a current service agreement that covered staffing processes. PSC advised us that it is in the process of renewing its service agreements.

Summary of key staffing provisions in *The Public Service Act, 1998*

Exhibit 4: Highlights of *The Public Service Act, 1998* related to staffing

The following lists provisions in *The Public Service Act, 1998* that are key to staffing out-of-scope positions in the classified division of the public service. The number in parenthesis is the related section of the Act.

- ♦ PSC may delegate the fulfilment of its responsibility for recruiting and selecting persons within the public service and appointing persons (s.11(2), s.12)
- ♦ PSC may, at any time, impose any terms or conditions on, amend or revoke its delegation (s.12)
- ♦ The position must be classified before any person can be appointed or employed in that position (s.16)
- ♦ PSC must develop procedures and policies respecting recruitment and appointment of employees and PSC (or delegated parties) must use them along with the regulations (s.20)
- ♦ PSC (or delegated parties) makes appointments to positions (s.21(3))
- ♦ All appointments to positions are to be made on the basis of merit (s.21(4))
- ♦ A permanent head (e.g., deputy minister) may, at any time, transfer an employee between positions with the same maximum salary in his/her ministry (s.24(1))
- ♦ PSC (or delegated parties) may transfer an employee from one ministry to another with the approval of the permanent head of each ministry (s.24(2))
- ♦ When making appointments, consideration must be given to persons whose names are on re-employment lists (if any) (s.26) (e.g., persons who were laid-off because of staff reductions, are returning from sick or disability leave, or are returning from leave to the unclassified division)
- ♦ Ministry officers and employees must give PSC any requested information (s.32)
- ♦ PSC may enter into agreements related to fulfilment of its responsibilities or functions (s.34)

Selected references

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Human resource/payroll security audit

Background

Since March 2006, the Public Service Commission (PSC) is responsible for the Multi-informational Database Applications System—human resources and payroll (i.e., MIDAS HR/Payroll). Since February 9, 2010, a centralized unit of PSC called the Employee Service Centre (ESC) is responsible for providing employee, payroll, and benefit administration for all ministry employees.

MIDAS HR/Payroll helps PSC and ministries manage employee information (e.g., benefits, salary, job assignment, and training) and process payroll transactions. In the past year, MIDAS/HR Payroll recorded over \$1.04 billion in payroll expenses.¹⁴

Given PSC's overall responsibility for MIDAS HR/payroll system, it must have adequate central controls to secure MIDAS HR/payroll and its information. Central controls are those controls that PSC must establish and carry out to protect the confidentiality, integrity, and availability of MIDAS HR/payroll transactions.

Audit objective, criteria, and conclusion

The objective of this audit was to assess whether PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/Payroll for the twelve-month period ending December 31, 2010. This audit did not assess the adequacy of controls at

¹⁴ Estimate of personal services expenses taken from General Revenue Fund financial statements for the year ended March 31, 2010.

user agencies (i.e., ministries). Rather, it focused on the central controls at PSC.

User agencies rely on PSC, as a service provider, to have adequate central controls and carry them out properly. Therefore, we carry out this audit on an annual basis.

We used criteria based upon the *Trust Services Principles, Criteria and Illustrations* authored by the Canadian Institute of Chartered Accountants and the American Institute of Certified Public Accountants, as well as international standards, literature, and reports of other legislative auditors. PSC agreed with the criteria.

Our criteria, set out in the Exhibit 5 below, describe the key processes that we expect PSC to have. Throughout our audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook – Assurance*.

Exhibit 5—Audit criteria

Adequate central controls used to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/payroll should include control processes that:

1. Show management commitment to security (governance)

- 1.1. Responsibilities for security are clearly defined
- 1.2. Management identifies threats and risks
- 1.3. Management has approved security policies and procedures
- 1.4. Management monitors security

2. Protect systems and data from unauthorized access

- 2.1. User access controls protect the system and data from unauthorized access
- 2.2. Physical security controls protect the system and data from unauthorized access

3. Make systems and data available for operation

- 3.1. System and data backups occur and are tested
- 3.2. Disaster recovery plans are in place and tested

4. Maintain the integrity of systems and data

- 4.1. Management has policies and procedures for managing the system and data
- 4.2. Change management processes exist and are followed
- 4.3. Management monitors the system to ensure it is operating as planned

We concluded that, for the twelve-month period ended December 31, 2010, PSC had adequate central controls to protect the confidentiality, integrity, and availability of transactions on MIDAS HR/Payroll except for:

- ♦ Assigning responsibilities for key payroll activities in its service level agreements with ministries
- ♦ Following its processes to document the review of key payroll reports

Key findings and recommendations

The following section sets out our significant audit findings.

Clarifying PSC's responsibilities for key payroll activities

In our 2010 Report – Volume 1, Chapter 9, *we recommended that the Public Service Commission amend its service level agreements (SLAs) with ministries to clearly assign responsibilities for key payroll activities (i.e., managing payroll, approving payroll payments, and investigating payroll differences)*. As noted below, PSC made some progress towards implementing this recommendation in 2010, but more work remains.

Existing SLAs between PSC and user agencies (ministries) do not clearly assign responsibilities for key payroll activities. At December 31, 2010, PSC is developing a new SLA template. It expects its new SLA template to clarify the responsibilities that ministries have delegated to the PSC and those that remain with the ministries. At December 31, 2010, PSC and ministries have not yet signed the new SLAs to agree to their responsibilities. PSC plans to implement the new SLA template in the 2011-12 fiscal year.

In 2010, as an interim step, PSC prepared a document that outlines roles and responsibilities related to payroll processing. The document clarifies PSC's responsibilities and the ministries' responsibilities for payroll. At the end of 2010, PSC met with ministries to discuss this document.

Status – We continue to make this recommendation.

Maintaining sufficient documentation

In our 2010 Report – Volume 1, Chapter 9, *we recommended that the Public Service Commission consistently document its review of*

payroll reports and resolution of matters resulting from its review.

As noted below, PSC made some progress towards implementing this recommendation in 2010, but more work remains.

In 2010, PSC developed and implemented new payroll procedures. These procedures list the frequency to generate and review payroll reports. They require team leads to generate reports and either review the reports themselves or assign the review to one of their staff. To evidence review, procedures require staff to initial, date, and file the reports. Review includes investigating identified significant differences.

During the audit, we found staff did not always follow the new payroll procedures. Staff did not always document their review of payroll reports and where documented, staff did not always review the reports on a timely basis. This increases the risk that employees will receive incorrect payroll amounts.

Since 2009, staff with the HR Payroll Administrator (HRPA) role within the MIDAS HR/Payroll system have incompatible functions. That is, these staff have authority to enter new employees into MIDAS HR and make payroll payments. This creates a risk that these staff could make payments to fictitious employees. PSC recognizes this risk, and therefore requires other staff to review certain reports to detect inappropriate use of the HRPA role on a timely basis.

During our audit, we found that staff did not always document their review of these reports. As a result, we could not determine if the review of these reports occurred as expected. Lack of documented evidence of review increases the risk that undetected inappropriate use of the HRPA role may occur. Our review of the reports did not identify any instances of inappropriate use of the HRPA role.

Status – We continue to make this recommendation.

Selected references

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Saskatchewan Gaming Corporation

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Main points

Saskatchewan Gaming Corporation needs better controls for the provision of information under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations (the Act). The Act requires casino operators to have processes to identify customers who conduct certain financial transactions, keep records of such transactions, and report them.

Introduction

Saskatchewan Gaming Corporation (SaskGaming) manages and operates Casino Regina and Casino Moose Jaw under the regulatory authority of the Saskatchewan Liquor and Gaming Authority. *The Saskatchewan Gaming Corporation Act, 1994* established SaskGaming.

SaskGaming has a total of 995 slot machines, 32 table games, and 9 poker tables in its two casinos. Casino Regina is a full-service casino and entertainment centre. Casino Regina has slot machines, table games, a full-service restaurant, and a show lounge. Casino Moose Jaw is also a full-service casino that has slot machines and table games.

SaskGaming also owns SGC Holdings Inc. (SGC Holdings) which is registered under *The Business Corporations Act (Saskatchewan)*. SGC Holdings purchases capital assets and leases them to SaskGaming for the operation of the above casinos. SaskGaming's consolidated financial statements include the financial results of SGC Holdings.

SaskGaming's consolidated financial statements for the year ended December 31, 2010 report net revenues of \$124.1 million, expenses of \$81.1 million, payment to the General Revenue Fund of \$21.5 million, net income of \$21.5 million, and assets of \$71.2 million.

Audit conclusions and findings

To form our opinions on SaskGaming and SGC Holdings, our Office worked with their appointed auditor, KPMG LLP. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities, and Duties of Auditors*.¹

In our opinion, for the year ended December 31, 2010:

- ♦ **SaskGaming had adequate rules and procedures to safeguard public resources and those of SGC Holdings except for the matter described in this chapter**

¹ To view this report, see our website at www.auditor.sk.ca/rrd.html.

- ♦ **SaskGaming complied with authorities governing its activities and the activities of SGC Holdings relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- ♦ **The consolidated financial statements for SaskGaming and the financial statements for SGC Holdings are reliable**

Controls require improvement

SaskGaming needs better controls for the provision of information under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations (the Act).

The Act requires casinos operators to identify customers who conduct certain financial transactions (e.g., cash buy-ins or disbursements of greater than \$10,000), keep records of such transactions and report them to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).² While the Act has been in place for a number of years, enforcement has evolved from awareness and education to compliance. Not complying with the Act can result in financial penalties.

During the audit, we noted SaskGaming did not have sufficient controls to ensure it complied with the Act. For example, its staff training program did not clearly set out the roles and responsibility of staff to identify and report customers who conduct certain transactions.

In 2010, FINTRAC, based on its assessment of SaskGaming's compliance with the Act, issued a notice of violation. In 2011, FINTRAC assessed penalties of \$148,840. As the Act permits, SaskGaming has asked FINTRAC for a review of this notice of violation. At March 2011, the review is underway.³

1. **We recommend that Saskatchewan Gaming Corporation have effective controls to maintain and report information required under the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* and Regulations.**

² FINTRAC collects, analyzes and discloses financial information and intelligence on suspected money laundering and terrorist financing activities.

³ The Act also provides for an appeal to the Federal Court of Canada.

Status of other outstanding recommendations of the Standing Committee on Crown and Central Agencies

The following table provides an update on recommendations previously made by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.⁴ In 2009, Saskatchewan Gaming Corporation was designated as CIC subsidiary corporation under *The Crown Corporations Act, 1993*. As a result, these recommendations are deemed to be referred to the Standing Committee on Crown and Central Agencies.⁵

COMMITTEE REPORT YEAR ⁶	OUTSTANDING RECOMMENDATION	STATUS
Saskatchewan Gaming Corporation (Project Management Processes – IT System)		
2009	The Committee concurs: 9-4 that the Saskatchewan Gaming Corporation provide complete and accurate reports on the project's progress to senior management and the Board of Directors.	Not implemented (as at December 31, 2008). We plan to conduct our first follow-up in conjunction with the casino system upgrade in 2011.
2009	The Committee concurs: 9-5 that the Saskatchewan Gaming Corporation establish a process to monitor and track how well it achieved the benefits it set out for the project.	Not implemented (as at December 31, 2008). We plan to conduct our first follow-up in conjunction with the casino system upgrade in 2011.
2009	The Committee concurs: 9-6 that the Saskatchewan Gaming Corporation establish a process to document the results of testing of new systems and to track and document the follow up of all risks before systems become operational.	Not implemented (as at December 31, 2008). We plan to conduct our first follow-up in conjunction with the casino system upgrade in 2011.

⁴ For the definitions of the key terms used in the table, see Chapter 20 – Standing Committee on Crown and Central Agencies.

⁵ The Standing Committee on Crown and Central Agencies oversees CIC subsidiary corporations.

⁶ PAC Report Year refers to the year that PAC first made the recommendation in its report to the Legislative Assembly.

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Saskatchewan Power Corporation

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Main points

This chapter sets out the results of our 2010 audits of SaskPower, its subsidiaries, and the Superannuation Plan. It also provides the status of recommendations relevant to SaskPower made by the Standing Committee on Crown and Central Agencies.

NorthPoint Energy Solutions Inc.

NorthPoint Energy Solutions Inc. has made progress in implementing our 2010 recommendations; it needs to finish developing its training program for traders and deliver the program to its traders. It expects to do this in 2011. Such a training program would help ensure its traders have a sufficient understanding of market rules and processes and decrease the risk of non-compliance.

Power Corporation Superannuation Plan

Power Corporation Superannuation Plan uses a service provider to carry out certain plan administration processes. The Plan needs to monitor its service provider to ensure that the service provider performs all assigned responsibilities. Improper monitoring increases the risk that errors in pension benefits paid could go unnoticed.

Introduction

SaskPower is the principal supplier of electricity in Saskatchewan, operating primarily under the mandate and authority of *The Power Corporation Act*. SaskPower's mission is to deliver power in a safe, reliable, and sustainable manner.

SaskPower's consolidated financial statements include the financial results of SaskPower and its subsidiaries (the companies it owns). SaskPower wholly owns three companies – NorthPoint Energy Solutions Inc. (NorthPoint), Power Greenhouses Inc. (Greenhouse) and SaskPower International Inc. As well, SaskPower sponsors the Power Corporation Superannuation Plan (Superannuation Plan).

SaskPower, NorthPoint, Greenhouse, and the Superannuation Plan each provide the Legislative Assembly with their annual financial statements. Because SaskPower International Inc. had no active operations in 2010 beyond its joint venture interests, it does not provide the Assembly with financial statements. The financial results of its joint venture interests are included in SaskPower's consolidated financial statements.

This chapter sets out the results of our 2010 audits of SaskPower, its subsidiaries, and the Superannuation Plan. It also provides the status of recommendations relevant to SaskPower made by the Standing Committee on Crown and Central Agencies.

Audit conclusions and findings

Deloitte & Touche LLP is the appointed auditor of SaskPower, NorthPoint, and the Superannuation Plan. Meyers Norris Penny LLP is the appointed auditor of Greenhouse. Our Office and the appointed auditors worked together using the framework recommended by the *Report of the Task Force on Roles, Responsibilities, and Duties of Auditors*.¹

¹ To view this report, see our website at www.auditor.sk.ca.

In our opinion, for the year ended December 31, 2010:

- ♦ **SaskPower, NorthPoint, Greenhouse, and the Superannuation Plan had adequate rules and procedures to safeguard public resources except for the matters noted below**
- ♦ **SaskPower, NorthPoint, Greenhouse, SaskPower International Inc., and the Superannuation Plan complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- ♦ **The financial statements of SaskPower, NorthPoint, Greenhouse, and the Superannuation Plan are reliable**

NorthPoint Energy Solutions Inc.

Introduction

NorthPoint provides SaskPower with generation and load management services, and in certain circumstances, sells and buys electricity for use in Saskatchewan.² It also manages SaskPower's natural gas supplies for SaskPower's natural-gas fired power plants and acts as a principal in wholesale electricity trading transactions that do not relate to electricity generated in Saskatchewan.³

For 2010, NorthPoint had revenues of \$42.2 million including \$6.8 million in service fees from SaskPower and a net loss of \$1.1 million. At December 31, 2010, it had total assets of \$28 million.

² NorthPoint sells and buys electricity for domestic use when a shortfall occurs or when lower-cost power is available for use in Saskatchewan.

³ Additional information on NorthPoint Energy Solutions Inc. is available on its website at www.northpointenergy.com.

Background

NorthPoint participates in electricity trading markets operating in Canada (Alberta, Manitoba, and Ontario) and in the United States (Northwest, Mid-continent, and East). Each of these markets has its own rules to regulate the relationships among the market participants trading in electricity. Each market routinely makes changes to these rules. Some rules regulate the fairness and openness of trading whereas others are administrative in nature. Not complying with certain rules can result in financial penalties or suspension from participation in the market.

Through agreements, NorthPoint is required to follow these rules when conducting a trade. Also, NorthPoint's code of conduct requires staff to comply with its policies and to conduct their activities in compliance with all related laws and regulations.

Electricity trading market rule violations

In Chapter 16 of our 2010 Report – Volume 1, we reported that NorthPoint's staff was not appropriately supervised, and potential violations were not dealt with appropriately. During 2010, the Alberta Market Surveillance Administrator issued 332 notices of specified penalty to NorthPoint totalling \$655,000 for contraventions of an Alberta electricity market rule in 2008 and 2009.⁴

In our 2010 Report – Volume 1, we recommended:

- ♦ ***NorthPoint Energy Solutions Inc. assign responsibility for monitoring compliance with electricity and natural gas trading market rules to staff not directly involved in trading activities***
- ♦ ***NorthPoint Energy Solutions Inc. establish a training program that provides its staff with ongoing training on market rules and on NorthPoint's processes to monitor compliance with those rules*** (2010 Report – Volume 1)

Status – NorthPoint has implemented the first recommendation; as described below, it has not fully implemented the second.

⁴ <http://albertamsa.ca/index.php?page=news-release---msa-issues-record-financial-penalty-2>

In 2010, management appropriately separated the responsibilities for trading activities from the responsibilities for monitoring compliance with trading rules. Staff responsible for monitoring compliance actively monitored changes to market rules and communicated changes to traders.

Also in 2010, NorthPoint provided initial ethics training to employees. At February 2011, NorthPoint was in the process of developing a training program for its traders. NorthPoint expects the training program to include market rules and processes to maintain compliance. It expects to deliver the completed program to traders in 2011.

Power Corporation Superannuation Plan

Introduction

The Superannuation Plan is a defined benefit closed pension plan for those employees (and beneficiaries) who SaskPower hired prior to October 1, 1977. At December 31, 2010, the Superannuation Plan had over 2,000 current members including almost 300 active members. At December 31, 2010, the Superannuation Plan had accrued pension benefits estimated at \$891.5 million, and managed total assets of \$745.7 million, of which the majority was invested in equities, bonds, real estate, and infrastructure.

Monitoring of service provider needed

The Superannuation Plan needs to monitor activities of its service provider to ensure the service provider fulfills its responsibilities.

In 2009, the Superannuation Plan contracted certain plan administration processes to the Public Employees Benefits Agency (PEBA) – a branch of the Ministry of Finance. Transition of the plan administration processes to PEBA continued into 2010. These plan administration processes included maintaining member records and calculating and paying pension benefits.

When an agency outsources key activities to a service provider, the agency needs monitoring activities to ensure the service provider fulfills its assigned responsibilities and uses appropriate controls.

Until the first quarter of 2010, the Superannuation Plan reconciled, in detail, payment information received from PEBA to its records and followed up differences, if any. At December 31, 2010, the Plan had not implemented monitoring procedures. Also, it did not have assurances that the service provider used appropriate controls to manage its activities. Insufficient monitoring increases the risk that errors in pension benefits paid could go unnoticed.

1. **We recommend that the Power Corporation Superannuation Plan monitor the Public Employees Benefits Agency's fulfilment of its assigned administration responsibilities related to the Plan.**

Status of other outstanding recommendations of the Standing Committee on Crown and Central Agencies

The following table provides an update on recommendations previously made by the Standing Committee on Crown and Central Agencies that are not yet implemented or discussed earlier in this chapter.

For the outstanding recommendation, the table sets out the report year of the initial recommendation made by our Office, the Committee's decision on our recommendation, and to what extent the recommendation was implemented.

Report Year	Outstanding Recommendation	Status⁵
Tenth Report of the 3 rd Session of the 25 th Legislature – tabled August 23, 2007		
2006 Report Vol. 1	The Committee concurs: 9.4 Saskatchewan Power Corporation should document the nature and extent of specific infrastructure risks that it accepts when it approves projects.	Partially implemented at December 31, 2009 For details, see our 2010 Report – Volume 1 (Chapter 16) p. 171. We have a follow-up planned for 2011.

⁵ See Chapter 20 – Standing Committee on Crown and Central Agencies for explanation of terms used in this table.

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Main points

This chapter describes our conclusions about the Saskatchewan Research Council (SRC) Employees' Pension Plan and our follow-up of management's actions on the recommendations we made in 2009 about SRC's risk management.

SRC risk management—a follow-up

In our 2009 Report – Volume 1 we reported the results of how the Board of SRC used risk management processes. We made two recommendations. SRC has satisfied our recommendations.

Introduction

The mission of the Saskatchewan Research Council (SRC) is to deliver: "...smart science solutions, with unparalleled service to clients and colleagues, that grow and strengthen the economy."¹ For the year ended March 31, 2010, SRC had revenues of \$52.9 million and expenses of \$49.1 million.² At March 31, 2010, SRC held assets of \$42.6 million. We reported the results of our audit of SRC for the year ended March 31, 2010 in our 2010 Report – Volume 2.

This chapter describes our conclusions about the SRC Employees' Pension Plan and our follow-up of management's actions on the recommendations we made in 2009 about SRC's risk management.

SRC Employees' Pension Plan

SRC manages the Saskatchewan Research Council Employees' Pension Plan (Plan). At December 31, 2010, the Plan held assets of \$21.6 million and had a surplus of \$0.3 million.

Audit conclusions

In our opinion, for the year ended December 31, 2010:

- ♦ SRC had adequate rules and procedures for the Plan to safeguard public resources
- ♦ SRC complied with the authorities governing the Plan's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- ♦ The Plan's financial statements are reliable

¹ SRC's Board approved this new mission on October 19, 2010.

² *Saskatchewan Research Council 2009-2010 Annual Report* is available at www.src.sk.ca (see p. 39).

SRC risk management—a follow-up

In 2009, we audited SRC's processes for risk management. Our 2009 Report – Volume 1, Chapter 12 (pp. 149-160) concluded that as of February 15, 2009, the SRC Board used adequate risk management processes except for monitoring the causes of risks and risk management outcomes.

We made two recommendations. On February 2, 2010, the Standing Committee on Public Accounts agreed with our recommendations. The following sections set out the recommendations (in italics) and SRC's actions up to March 11, 2011. We found that SRC has implemented both of our recommendations.

Recording identified causes of risk

We recommended that the Saskatchewan Research Council Board require management to record identified causes of risks to aid in effective and economical risk management. (2009 Report – Volume 1)

SRC's March 2010 risk management strategy required that SRC staff identify risks and the root causes of those risks. SRC recorded its identified risks and their causes using a risk management software program.

SRC's Board expected all of its staff to identify potential adverse events and opportunities. Senior managers identified the root causes of major risks. SRC recorded a profile of each risk it identified. The profile described the risk and listed its primary cause and more detailed, specific causes. If SRC failed to recognize potential opportunities, it might not achieve its strategic plan. SRC recorded detailed potential causes of this risk including failure to monitor advancing technology in various industries or untimely recognition of market niches.

In 2010, SRC's risk management policy assigned senior managers as "risk owners" responsible to record and monitor the causes of risks. SRC expected its risk owners to monitor key risks closely to avoid exceeding risk-tolerance levels identified by senior management and the Board. Recording and monitoring the causes of risks will help SRC take timely action to reduce risks.

Status – SRC has implemented our recommendation.

Monitoring outcomes of priority risks

We recommended that the Saskatchewan Research Council Board monitor outcomes related to priority risks to enable a timely response. (2009 Report – Volume 1)

Monitoring occurs at various levels within most agencies. Often junior staff monitor that specific tasks get done, managers monitor that entire projects are progressing as planned, and senior managers monitor that the agency's strategic objectives are achieved. We expected the Board to monitor risks from the perspective of the end-result or outcome of risk management efforts. Information about outcomes often is less available than information about activities or projects.

SRC's Board monitored outcomes related to priority risks during 2010-11. For example, when managers reduced a financial risk by getting a client to pay a large outstanding account, SRC's Board was informed that SRC was in an improved cash-flow position. Being aware of this outcome helps the Board grasp new opportunities that might arise.

SRC's Board also received outcome information annually. For example, safety is one of SRC's priorities and the Board monitored the outcome of safety-related activities. For 2009-10, SRC reported the outcome of safety activities in terms of the rate of injuries that caused employees to be away from work.³

Status – SRC has implemented our recommendation.

³ Saskatchewan Research Council 2009-2010 Annual Report is available at www.src.sk.ca (see p. 32 for the rate of lost-time incidents per 200 hours worked).

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**Saskatchewan Telecommunications Holding
Corporation**

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Main points

This chapter sets out the results of our 2010 audits of Saskatchewan Telecommunications Holding Corporation (SaskTel), the companies it owns, and its Pension Plan and our follow-up on SaskTel's wireless network security.

Security for credit card information

SaskTel accepts payments from customers using credit cards. SaskTel needs to improve security over customer credit card information.

Wireless network security follow-up

SaskTel provides wireless access to its network. In 2009 we audited whether SaskTel had adequate wireless network security controls. We concluded that SaskTel did not have adequate wireless network security controls and made seven recommendations. In 2011, we followed up on management's action on our recommendations. We found that SaskTel has many actions planned or underway to improve wireless security, but that it needs to complete these actions.

Introduction

Saskatchewan Telecommunications Holding Corporation (SaskTel) markets and supplies a range of voice, data, internet, wireless, text, image, security and entertainment products, systems and services.¹ SaskTel provides these products and services through its companies listed below.

This chapter discusses the results of our 2010 audits of SaskTel, the companies it owns, and its Pension Plan and our follow-up on SaskTel's wireless network security.

Related companies and pension plan

At December 31, 2010, SaskTel owned the following companies with active operations (percentage of SaskTel's ownership is set out in parenthesis):

- ◆ Saskatchewan Telecommunications (100%)
- ◆ Saskatchewan Telecommunications International, Inc. (100%)
- ◆ DirectWest Corporation (100%)
- ◆ SecurTek Monitoring Solutions Inc. (100%)
- ◆ Hospitality Network Canada Inc. (100%)
- ◆ Saskatoon 2 Properties Limited Partnership (Saskatoon 2) (70%)

Also, SaskTel sponsors and administers the Saskatchewan Telecommunications Pension Plan.

SaskTel did not prepare financial statements for Saskatoon 2 for the year ended December 31, 2010. SaskTel sold its interest in Saskatoon 2 in January 2011. For additional information on SaskTel and its companies, see SaskTel's website at www.sasktel.com.

Audit conclusions and findings

Our Office worked with KPMG LLP, the appointed auditor, to carry out the audit of SaskTel, the above-listed companies, and pension plan. We

¹ SaskTel, 2009 Annual Report, p.52.

followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.²

The following are our opinions for the above-listed companies³ and Pension Plan for the year ended December 31, 2010:

- ♦ They had adequate rules and procedures to safeguard public resources except for the matter described below
- ♦ They complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- ♦ The financial statements are reliable

Better security for customer credit card information required

In our 2009 and 2010 – Volume 1 Reports, we recommended SaskTel have adequate controls to ensure customer credit card information is securely transmitted and stored.

SaskTel accepts payments from customers using credit cards. SaskTel stores, processes, and transmits customer credit card information. SaskTel does not have adequate controls, including those defined by the credit card industry, to provide reasonable assurance that customer credit card information is securely transmitted and stored. As a result, unauthorized access of customer credit card information could occur without ready detection.

Management of SaskTel told us that it is working to strengthen its controls and to fully implement the standards required by the credit card industry.

Status – We continue to make this recommendation.

² To view this report, see our website at www.auditor.sk.ca/rrd.html.

³ We did not form an opinion for Saskatoon 2. As noted above, SaskTel sold its interest in Saskatoon 2 in January 2011.

Wireless network security follow-up

Background

SaskTel makes extensive use of information technology. This includes computers and networks, including a large, system-wide network that provides most of SaskTel's employees with access to email and significant amounts of information stored on network servers.

Networks that include wireless access have additional security risks compared with networks that do not have wireless access. Wireless access is available in many locations in SaskTel. In addition, many computers used by SaskTel have wireless capability. SaskTel must ensure that its wireless infrastructure provides mobile computing without compromising the confidentiality, integrity, or availability of sensitive and critical corporate information.

We audited SaskTel's wireless network security controls. In our 2009 Report – Volume 1 (Chapter 13), we reported the results of our audit. We concluded that SaskTel did not have adequate wireless network security controls at its head office and Regina data centre for the period August 1, 2008 – January 31, 2009. In 2011, we examined SaskTel's actions on our recommendations from the audit.

Status of recommendations

The following sections set out the recommendations (in italics) from our 2009 audit and SaskTel's actions to March 2011 to address the recommendations.

SaskTel has many actions planned or underway that relate to wireless security. Some of these are part of, or depend on, larger IT security initiatives that are underway and will take two or more years to complete. Management told us that it is allocating its resources to those areas it regards as presenting the highest risk.

Train employees to use wireless devices securely

We recommended that SaskTel train employees to use wireless devices securely. (2009 Report – Volume 1)

SaskTel has provided employees with some information regarding the use of wireless and has posted the information on the corporate Intranet. SaskTel is creating a mandatory wireless security training program that it plans to provide to all SaskTel employees, contractors and subsidiaries by the end of December 2011.

Status – We continue to make this recommendation.

Describe wireless roles and responsibilities

We recommended that SaskTel describe wireless roles and responsibilities in its information technology security policies and procedures. (2009 Report – Volume 1)

SaskTel is working on identifying the business requirements for wireless. It plans to develop wireless policies, including describing roles and responsibilities relating to wireless, reflecting its business requirements. It plans to complete this process in 2011.

Status – We continue to make this recommendation.

Properly configure wireless network and network devices to reduce security risks

We recommended that SaskTel properly configure its wireless network and network devices to reduce information technology security risks. (2009 Report – Volume 1)

SaskTel has introduced several improvements to how it configures its wireless network and wireless devices to improve security. It has set up a separate part of its network to manage wireless devices. IT administrators now use encryption to communicate with devices over the network. SaskTel has also piloted a new wireless architecture that would further improve security. The piloted system includes an intrusion detection system to help identify suspicious activity on the network. Part of the pilot included development of a classification strategy to determine what corporate wireless devices should be authorized for use on the network and configuration standards for each device. SaskTel will evaluate further deployment of the piloted system as it identifies its business requirements.

Status – We continue to make this recommendation.

Assess wireless risks and address them

We recommended that SaskTel assess wireless risks and address them. (2009 Report – Volume 1)

SaskTel has not carried out a full assessment of its wireless risks. SaskTel considered wireless risks in piloting a new wireless network architecture. SaskTel also considered wireless risks in creating a classification strategy to help determine what corporate wireless devices it should authorize for use on the network.

Status – We continue to make this recommendation.

Maintain an inventory of wireless devices

We recommended that SaskTel maintain an inventory of wireless devices on its network and their users. (2009 Report – Volume 1)

SaskTel does not maintain an inventory of wireless devices or a list of approved users. Management told us that they are considering alternatives for doing this, but are waiting until they have completed developing the business case for wireless and made decisions on wireless architecture.

Status – We continue to make this recommendation.

Adequately monitor wireless activity logs

We recommended that SaskTel adequately monitor wireless activity logs. (2009 Report – Volume 1)

SaskTel has not implemented processes to monitor wireless activity logs. Management told us that they plan to make decisions regarding monitoring logs when they complete their changes to SaskTel's wireless architecture.

Status – We continue to make this recommendation.

Regularly perform wireless security scans

We recommended that SaskTel regularly perform wireless security scans and address weaknesses found. (2009 Report – Volume 1)

SaskTel performs ad hoc wireless security scans to identify inappropriate wireless activity. SaskTel should ensure that it has established and measured appropriate coverage and range for the wireless network.

Status – We continue to make this recommendation.

Glossary

Access point—An electronic device that provides other devices, such as computers, with a point of entry into a network.

Configure—To set up or arrange in order to achieve a specific purpose (e.g., maximize security).

Encryption—A method of putting information in code so that only authorized users will be able to see or use the information.

Intrusion detection system (IDS)—Software and/or hardware designed to detect a security breach by identifying inappropriate access or changes taking place within a computer or network.

Intranet— An intranet is a private computer network used to securely share any part of an organization's information.

Log—A record of computer, network, or application use.

Server—A computer that hosts systems or data for use by other computers on a network.

Wireless architecture—The overall design of an organization's wireless network, both in terms of its physical components and in how data is meant to travel.

Chapter 16 – Saskatchewan Telecommunications Holding Corporation

Wireless network—A network where computers communicate without being physically connected by a cable or “wire”, for example, using radio signals.

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Saskatchewan Water Corporation

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Main points

This chapter includes the results of our 2010 audit of the Saskatchewan Water Corporation (SaskWater). SaskWater has made limited progress to address the following six recommendations we made in our 2010 Report – Volume 1.

SaskWater needs to protect its information technology (IT) systems and data. SaskWater needs to approve an adequate IT security policy. Also, it needs to sign an IT service agreement with its IT service provider (Saskatchewan Watershed Authority), and monitor the adequacy of the security controls used by its IT service provider. SaskWater should periodically verify the existence and valuation of its physical assets. SaskWater should also establish code of conduct policies and require criminal record checks for its employees in positions of trust.

Introduction

The Saskatchewan Water Corporation (SaskWater) operates under *The Saskatchewan Water Corporation Act*. SaskWater's mandate is to construct, acquire, manage, or operate waterworks and provide services in accordance with the agreements it makes under the Act.

At December 31, 2010, SaskWater held assets of \$147.7 million, had operating revenue of \$24.3 million, and had net income of \$0.2 million. Each year, SaskWater gives its annual report including its audited financial statements to the Legislative Assembly.¹

Audit conclusion and findings

Our Office worked with Deloitte & Touche LLP, the appointed auditor, to carry out the audit of SaskWater. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

In our opinion, for the year ended December 31, 2010:

- ♦ SaskWater had adequate rules and procedures to safeguard public resources except for the matters described in this chapter
- ♦ SaskWater complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- ♦ SaskWater's financial statements are reliable

Also, the chapter provides an update on the status of outstanding recommendations made by the Standing Committee on Crown and Central Agencies that SaskWater has partially implemented.

¹ See www.saskwater.com.

Information technology controls need improvement

SaskWater needs to protect its information technology (IT) systems and data. We found three areas where IT systems and data were not properly protected.

We recommended that SaskWater establish an adequate information technology security policy. (2010 Report – Volume 1)

SaskWater does not have an adequate IT security policy. IT security policies help ensure the confidentiality, integrity, and availability of information systems and data. Without adequate IT security policies, SaskWater's systems and data are at increased risk of unauthorized access, inappropriate changes, and information not being available when needed.

Status – We continue to make this recommendation.

SaskWater does not have an IT service agreement with its IT service provider (Saskatchewan Watershed Authority). In our 2010 Report – Volume 1, we made two recommendations in this area.

We recommended that SaskWater have an adequate information technology service agreement with its information technology security service provider. (2010 Report – Volume 1)

SaskWater needs a service agreement with the IT service provider setting out the roles and responsibilities of both the IT service provider and SaskWater. For example, the agreement would describe the services to be provided by the IT service provider (such as help desk services and application development), service availability requirements (such as the percentage of time networks will be available), service delivery targets (such as time frames for setting up new email accounts), and the term of the agreement. The agreement should also identify security and disaster recovery requirements.

Without a signed service agreement, there is risk that SaskWater's needs may not be met. For example, the IT service provider had limited incident and problem management procedures and did not monitor the security logs of network equipment, such as firewalls, to help keep SaskWater's

systems and data secure. Regular reviews of security logs enable staff to take corrective action on security incidents and reduce the risk of inappropriate access to systems and data. SaskWater should obtain adequate information about the security of its systems and data from its IT service provider.

Status – We continue to make this recommendation.

We recommended that SaskWater monitor the adequacy of the security controls its information technology service provider uses to protect the Corporation's systems and data. (2010 Report – Volume 1)

The IT service provider did not implement adequate network password complexity requirements, did not control access authorization requests appropriately, and did not have adequate processes to monitor the appropriateness of user access within the IT systems. This increases the risk of inappropriate access to SaskWater's systems and data.

SaskWater informally approved system development changes. The IT service provider kept inadequate documentation to support the changes made in the IT system. To protect the integrity of data and maintain an audit trail, all changes to SaskWater IT systems need to be formally documented and approved prior to implementation.

Status – We continue to make this recommendation.

Periodic verification of physical assets required

We recommended that SaskWater periodically verify the existence and valuation of its physical assets. (2010 Report – Volume 1)

SaskWater does not have adequate processes to periodically verify the existence and value of its physical assets. SaskWater is at risk that some physical assets may no longer exist or are not valued properly. At December 31, 2010, SaskWater held physical assets of \$107.5 million (net book value). SaskWater should periodically verify the existence and valuation of its physical assets.

Status – We continue to make this recommendation.

Reinforcing of appropriate staff conduct needed and criminal record checks required

We recommended that SaskWater establish code of conduct policies and communicate these policies to staff. (2010 Report–Volume 1)

SaskWater needs to provide staff with written guidance to help ensure appropriate staff conduct (i.e., code of conduct). To protect the public interest and maintain a respectful workplace, staff must understand the conduct expected of them. Policies and supporting guidance help staff understand and avoid situations of conflict. They also help staff provide services with integrity and impartially at all times. Supervisors must be provided with guidance to use appropriate discipline procedures and staff must be provided with opportunities to communicate inappropriate behaviour to their supervisors when situations occur.

Status – We continue to make this recommendation.

We recommended that SaskWater require criminal record checks for employees in positions of trust. (2010 Report – Volume 1)

SaskWater needs criminal record checks for employees in positions of trust (i.e., those responsible for the collection, receipt, disbursement, or expenditure of public money) to reduce the risk of loss of public money. Criminal record checks are part of a prudent employment process that would help SaskWater:

- ◆ Maintain public confidence in the public service
- ◆ Keep its employees, clients, and stakeholders safe
- ◆ Administer public funds securely

Status – We continue to make this recommendation.

Status of other outstanding recommendations of the Standing Committee on Crown and Central Agencies

The following table provides an update on recommendations previously made by the Standing Committee on Crown and Central Agencies that are not yet implemented and are not discussed earlier in this chapter.

For the outstanding recommendations, the table sets out the report year of the initial recommendations made by our Office, the Committee's decision on our recommendations, and to what extent the recommendations were implemented.

Report Year	Outstanding Recommendation	Status ²
Saskatchewan Water Corporation		
2006 Report Vol. 1	The Committee concurs: 12.1 Saskatchewan Water Corporation should compile reliable information detailing the water treatment and transmission infrastructure it owns and the condition of that infrastructure.	Partially implemented. (as at December 31, 2010) We plan to follow this up in 2012.
2006 Report Vol. 1	The Committee concurs: 12.2 Saskatchewan Water Corporation should develop and use a maintenance plan for its water treatment and transmission infrastructure.	Partially implemented. (as at December 31, 2010) We plan to follow this up in 2012.

² See Chapter 20 – Standing Committee on Crown and Central Agencies for explanation of terms used in this table.

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Main points

Medical equipment (e.g., intravenous pumps, ventilators, cardiac monitors) is essential to diagnose and treat patients. Medical equipment requires preventative maintenance to help ensure it works as planned. Properly-functioning medical equipment helps the health system to provide safe, patient-centred care.

The Saskatoon Regional Health Authority (Saskatoon) had appropriate processes to maintain its medical equipment in three Saskatoon hospitals and the Humboldt District Hospital. However, it needs to document policies and procedures for maintaining medical equipment at all of its healthcare facilities.

We encourage other regional health authorities to use the criteria described in this chapter to assess the effectiveness of their own processes to maintain medical equipment.

Introduction—Maintaining medical equipment

The Saskatoon Regional Health Authority (Saskatoon) is responsible for providing health services to over 300,000 residents. Saskatoon has approximately 13,000 staff and 847 physicians. Saskatoon provides health care services in 10 hospitals (including its affiliate St. Paul's Hospital), 29 long-term care facilities, 12 primary health care sites and 14 public health sites.¹

Saskatoon is responsible for the overall quality of care for its patients. To provide a high level of patient care, Saskatoon uses medical equipment to help diagnose and treat patients. In 2009-10, Saskatoon spent \$16.7 million to purchase capital equipment.²

Background

Medical equipment (e.g., intravenous pumps, ventilators, cardiac monitors, diagnostic equipment, beds, lifts) is essential to diagnose and treat patients. Medical equipment requires preventative maintenance as well as emergency (unplanned) repairs. Such maintenance helps ensure the equipment works as planned. For example, well-maintained intravenous pumps help ensure the correct dosage of medication.

Properly-functioning medical equipment maintains the capacity of the health system to provide safe, patient-centred care. Preventative maintenance of medical equipment can also reduce overall capital spending over the long term by extending the life of equipment.

Manufacturers set out preventative maintenance requirements in their recommended standards. Legislation also sets out preventative maintenance requirements for medical equipment. For example, the Regulations under *The Occupational Health and Safety Act, 1993* require RHAs to use competent persons to implement preventative maintenance programs that meet manufacturers' recommendations for equipment to mobilize, lift, hold, turn, position, or transfer patients. Also, the Regulations under *The Hospital Standards Act* require regional health authorities to take precautions to ensure anaesthesia equipment is maintained in a serviceable condition for immediate use.

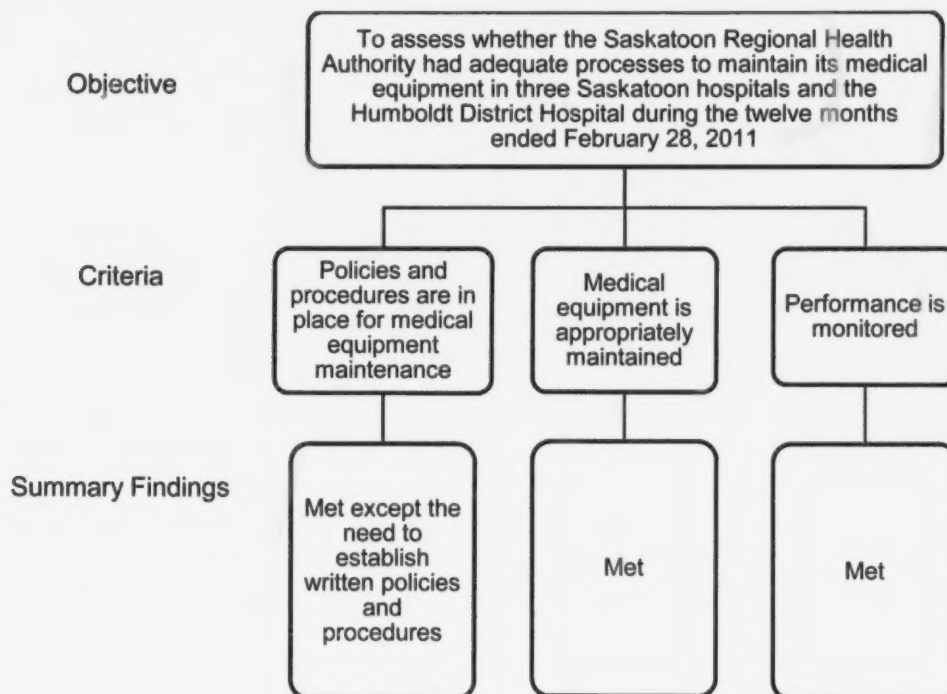
¹ Saskatoon Regional Health Authority's 2009-10 Annual Report, p. 5.

² Ibid., p. 92.

Chapter 18 – Saskatoon Regional Health Authority

Poorly-maintained equipment could malfunction resulting in incorrect diagnosis or treatment. Furthermore, equipment failure could result in unsafe care that may harm patients.

Audit objective, criteria, and summary findings



To conduct this audit, we followed the *Standards for Assurance Engagements* published in the *CICA Handbook - Assurance*. To evaluate Saskatoon's processes, we used criteria based on our past work and the work of other auditors listed in the selected references. Management agreed with the above criteria.

We assessed the adequacy of Saskatoon's central processes. We also assessed the adequacy of medical equipment maintenance processes used at the three Saskatoon city hospitals and a district hospital.

Conclusion

We concluded that, for the twelve-months ended February 28, 2011, the Saskatoon Regional Health Authority had adequate processes to

maintain its medical equipment in three Saskatoon hospitals and the Humboldt District Hospital except it needs to establish written policies and procedures for maintaining medical equipment.

Key findings and recommendations

We set out below what we expected (in italics) for each criterion and our key findings.

Setting policies and procedures for medical equipment maintenance

We expected Saskatoon to set policies and procedures for medical equipment maintenance by:

- ♦ *Establishing maintenance policies that are consistent with recognized maintenance standards*
- ♦ *Assigning responsibility for medical equipment maintenance*
- ♦ *Reviewing and updating policies and procedures regularly*

Saskatoon has not established adequate policies and procedures to maintain medical equipment at its healthcare facilities. Saskatoon has some policies for specific types of equipment. For example, it has maintenance policies for certain laboratory equipment. However, Saskatoon does not have documented policies and procedures for maintaining all medical equipment at all of its healthcare facilities.

- 1. We recommend that the Saskatoon Regional Health Authority establish written policies and procedures for maintaining medical equipment at all of its healthcare facilities.**

In early 2011, Saskatoon developed a draft policy and procedures for management, inspection, maintenance, and repair of medical equipment for the region. At April 14, 2011, the Board had not reviewed and approved this policy.

Once the Board has approved the policy for maintaining medical equipment, Saskatoon should review and update the established policy on a periodic basis.

Saskatoon maintains medical equipment in one of two ways: in-house by its employees or through service contracts with manufacturers. Saskatoon employees maintain approximately 70% of the equipment and the manufacturers maintain the rest. Saskatoon has documented the roles and responsibilities for maintaining medical equipment through employee job descriptions. The service contracts set out the roles and responsibilities of the manufacturers.

Maintaining medical equipment

We expected Saskatoon to carry out medical equipment maintenance by:

- ◆ *Identifying medical equipment that requires maintenance*
- ◆ *Scheduling preventative maintenance*
- ◆ *Performing maintenance*

Saskatoon uses a preventative maintenance database and program to document information about its medical equipment. It records all maintenance activities for the medical equipment its staff (i.e., clinical engineers) maintain. Saskatoon assigns equipment a risk class based on the manufacturer's maintenance standards. It uses the risk class to determine the frequency of preventative maintenance (i.e., quarterly, bi-annually or annually).

Each month, the preventative maintenance program generates a list of the equipment that is scheduled for maintenance. Technical staff receive a list of equipment that they must maintain based on their training and skills. Once they complete such maintenance, they update the database.

Saskatoon's technical staff also perform preventative maintenance on medical equipment at Saskatoon's rural healthcare facilities, such as the Humboldt District Hospital. Every six months, a senior technical employee sends a letter to each rural facility indicating the medical equipment that is scheduled for maintenance. Technical staff visit these facilities to perform the maintenance. Once completed, each facility receives a letter with the details of the maintenance performed.

As noted above, Saskatoon has service contracts with manufacturers for all medical equipment that is not maintained by Saskatoon's employees. The service contracts set out the type and frequency of maintenance required for specific medical equipment.

Monitoring performance

We expected Saskatoon to monitor performance by:

- ♦ *Monitoring equipment downtime*
- ♦ *Taking action to address issues identified*
- ♦ *Reporting maintenance results*

As described below, unplanned repairs are usually done in one day. If the equipment is out of service longer than one day and a spare is not available in that facility, Saskatoon has a process to share equipment from other facilities. If it determines that the equipment is not worth the repair, Saskatoon replaces the equipment through the capital equipment acquisition process. Management told us that equipment downtime has not been a significant issue for Saskatoon.

When medical equipment does not function properly, employees using the equipment request an unplanned repair either internally or through the service contracts. During the audit, we found that the service providers and Saskatoon staff completed all requested repairs within one to two days of the request.

Senior management receives reports on maintenance. For example, after maintenance is performed on medical imaging equipment, a Safety and Preventive Maintenance Inspection Report is prepared for senior management.

Senior management report to the Board any instances that may have caused harm to patients, including those that involved malfunctioning medical equipment. The Board has a process to follow up on all such instances reported.

Selected references

Auditor General of Nova Scotia. (2007). Management of diagnostic imaging equipment – Capital Health and Cape Breton District Health Authority. In *Report of the Auditor General*. Halifax: Author.

Provincial Auditor Saskatchewan. (2010). Chapter 11C – Maintenance of medical equipment. In *2010 Report – Volume 2*. Regina: Author.

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Social Services

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Main points

This chapter includes the results of our 2010 audit of the Saskatchewan Housing Corporation.

To make sure it can provide its critical services in the event of a disaster, Saskatchewan Housing Corporation (SHC) needs to take steps to ensure all of its information technology disaster recovery procedures are tested. SHC's current agreement with its service provider, the Information Technology Office, does not adequately address testing of information technology disaster recovery procedures.

Introduction

The mandate of the Ministry of Social Services (Ministry) is to support citizens at risk as they work to build better lives for themselves through economic independence, strong families, and strong community organizations.¹ The Ministry is responsible for the following special purpose funds and Crown agency:

	<u>Year-end</u>
Social Services Central Trust Account	March 31
Valley View Trust Accounts and Fund	March 31
Saskatchewan Housing Corporation	December 31

We reported the results of our audits of the Ministry, the Social Services Central Trust Account, and the Valley View Trust Accounts and Fund in our 2010 Report – Volume 2.

This chapter includes the results of our 2010 audit of the Saskatchewan Housing Corporation.

Saskatchewan Housing Corporation

The Ministry, through the Saskatchewan Housing Corporation (SHC), promotes self-sufficiency and independence by providing housing and housing services for families, seniors, persons with disabilities and others who could not otherwise afford safe and secure shelter. Good quality housing that is affordable has many social, economic, and health benefits.

SHC funds a number of housing programs and services. It provides assistance in the form of forgivable or repayable loans, or grants. Its housing programs and services are directed at low to moderate-income households, and, sometimes, landlords with identified needs. Its programs include social and affordable rental housing, home renovations, repairs and energy retrofit, home adaptations, supports to independent living for seniors, and homeownership options.²

¹ *Ministry of Social Services Annual Report, 2009-10.*

² <http://www.socialservices.gov.sk.ca/programs-services/housing/>

For the year ended December 31, 2010, SHC had revenues of \$234 million, expenses of \$240 million, and held total assets of \$397 million at December 31, 2010.

Audit conclusions and findings

Our Office worked with KPMG LLP, appointed auditor for SHC, using the framework recommended by the *Report of the Task Force on the Roles Responsibilities and Duties of Auditors* (www.auditor.sk.ca/rrd.html).

In our opinion, for the year ended December 31, 2010:

- ♦ SHC had adequate rules and procedures to safeguard public resources except for the matter reported below
- ♦ SHC complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- ♦ SHC's financial statements are reliable

Adequate testing of disaster recovery procedures required

SHC needs to take steps to ensure its business continuity plan (BCP)³ works.

SHC has an approved BCP for its critical programs and services. Although SHC has tested its BCP for some critical programs and services, it has not tested its information technology disaster recovery procedures.

SHC uses the Information Technology Office (ITO) as its service provider for information technology services. SHC's agreement with ITO does not adequately address who is responsible for testing of disaster recovery procedures and the nature and extent of those tests. As a result, neither

³ Business Continuity Plan (BCP) – Plan by an organization to respond to unforeseen incidents, accidents, or disasters that could affect the normal operations of the organization's critical operations or functions. Information technology disaster recovery plans are a component of the BCP.

SHC nor ITO knows whether ITO can restore all of SHC's critical systems and data in the event of a disaster.

1. We recommend that the Saskatchewan Housing Corporation take steps to ensure information technology disaster recovery procedures are tested.

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Standing Committee on Crown and Central Agencies

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Main points

Through its work and recommendations, the Standing Committee on Crown and Central Agencies helps the Assembly hold the Government accountable for its management of the Crown Investments Corporation of Saskatchewan (CIC) and its subsidiaries. It asks our Office to assess and report on the status of the recommendations it makes as a result of our audit work.

The Government has implemented almost all of the Committee's recommendations related to the work of our Office. At March 31, 2011, the Committee had six recommendations outstanding.

The Assembly permanently refers portions of reports related to CIC and its subsidiaries and annual reports within its subject area to the Committee for its review.

The Committee needs to review the chapters about CIC and its subsidiary corporations and annual reports within its subject area that remain outstanding.

Introduction

This chapter provides an overview of the role and responsibilities of the Standing Committee on Crown and Central Agencies. Also, it describes the overall status of the Committee's recommendations as they relate to the work of our Office.

Overview of Committee's role and responsibilities

The Standing Committee on Crown and Central Agencies (Committee) is one of the Legislative Assembly's four policy field committees. The Assembly has made policy field committees responsible for examining certain documents within their assigned subject area. These documents include bills and regulations (proposed laws), annual budget estimates, and annual reports. During their reviews, these committees can inquire about issues of current concern, future objectives, and past performance.

These committees can also conduct inquiries into matters within their mandated subject area. They provide the Assembly with reports on their activities and can make recommendations to the Assembly for its consideration.

Meetings of policy field committees are open to the public. The Assembly's website (www.legassembly.sk.ca/committees/) contains information about the composition of the committees and records of their meetings (i.e., Hansard verbatim, minutes, videos, and reports).

Responsibilities specific to the Committee

The Committee's subject area is Crown Investments Corporation of Saskatchewan (CIC) and its subsidiary corporations, supply and services (e.g., Ministry of Government Services), central government agencies (e.g., Ministry of Finance, Public Service Commission), liquor, gaming, and all other revenue-related agencies and entities.

The Assembly has given the Committee the following additional responsibilities. The Assembly permanently refers to the Committee our

reports or portions thereof related to CIC and its subsidiaries.¹ It also requires the Minister responsible for CIC to notify the Committee, in writing, about significant transactions² made by CIC or any of its subsidiaries within 90 days of the transaction having occurred. The notification must outline the objectives of the transaction, the financial implications, a statement of any changed liabilities and the authority under which such a transaction was made.³

When the Committee reviews our reports, it typically does so in conjunction with its review of the related corporation's annual report. For these meetings, our Office and the corporation's appointed auditor, if any, attend to help the Committee with its review.

Because of the magnitude of financial activity that the Government manages through CIC and its corporations, the Committee has an important role. It helps the Assembly hold the Government accountable for its management of these corporations.

Also, as with the Standing Committee on Public Accounts, this Committee's discussions and recommendations to the Assembly result in a more open and accountable government and better management of government operations. The Committee's work is crucial in a well-managed parliamentary system of government. The Committee provides a vital link in the chain of accountability over public resources. The work of the Committee also contributes to the public's confidence in our system of government.

Committee activities: 2010-11

During 2010-11, the Committee met 12 times (2009-10: 30 times). It gave the Assembly three reports on the results of its reviews of estimates and bills within its subject area, and the results of its inquiry into Saskatchewan's energy needs. It did not receive any significant transaction reports.

¹ Rule 143(3) of *The Rules and Procedures of the Legislative Assembly of Saskatchewan* and section 14.1(8) of *The Provincial Auditor Act*.

² Significant transactions are defined by the Committee as those that are material in amount and outside the ordinary course of business, or are judged to be sensitive and likely of interest to legislators and the public.

³ Rule 143(4) of *The Rules and Procedures of the Legislative Assembly of Saskatchewan*.

Chapter 20 – Standing Committee on Crown and Central Agencies

The Committee's consideration of the chapters about CIC and its subsidiary corporations noted in Exhibit 1 remains outstanding. Also, the Committee's review of annual reports of agencies within its subject area for the years 2008, 2009, and 2010 remains outstanding.

Exhibit 1—Portions of Provincial Auditor Reports referred to the Committee

Name of related report	Chapter number/name	Number of recommendations to be considered
2009 Report – Volume 1	13 – Saskatchewan Telecommunication Holding Corporation	7
2010 Report – Volume 1	15 – Saskatchewan Government Insurance	3
	16 – Saskatchewan Power Corporation	3 of which 2 were initially reported in our 2007 Report – Volume 3 (Chapter 23)
	17 – Saskatchewan Telecommunication Holding Corporation	1 which was initially reported in our 2009 Report – Volume 1 (Chapter 13)
	18 – Saskatchewan Water Corporation	6
2010 Report – Volume 2	25 – Crown Investments Corporation of Saskatchewan	2

Status of Committee recommendations

Some of the Committee's reports to the Assembly contain recommendations as a result of our audit work. Each year, we follow up the status of the Committee's outstanding recommendations and report their status.

At March 31, 2011, the Committee had six (nine – at March 31, 2010) recommendations outstanding—that is, recommendations that the Government has not yet fully implemented.⁴ See Chapter 13 – Saskatchewan Gaming Corporation, Chapter 14 – Saskatchewan Power Corporation and Chapter 17 – Saskatchewan Water Corporation for a listing and the status of the outstanding recommendations.

⁴ This includes three recommendations related to Saskatchewan Gaming Corporation that the Standing Committee on Public Accounts agreed with prior to Saskatchewan Gaming Corporation becoming a subsidiary of CIC.

Exhibit 2 sets out key terms we use when reporting the status of the Committee's recommendations.

Exhibit 2—Key terms

Committee concurs – These are our Office's recommendations that the Committee supports, agrees, or concurs with. The Committee does not expect a formal response from the Government but does expect the Government to comply with the recommendations. In the Exhibit, these recommendations are identified by a non-bold number (e.g., 4.1) preceding them. The non-bold numbers reflect the chapter and recommendation number of our related report.

Committee recommends – These are the Committee's recommendations. The Committee expects an official response or action by the Government. In the Exhibit, these recommendations are identified by a bold number (e.g., 1.) preceding them.

Committee considered – These are our Office's recommendations. The Committee has deferred them for future consideration (e.g., pending the presentation of additional information) or has made its own recommendation on the matter.

Not implemented – Based on the last time that we audited the area or agency, the Government has not taken action on this recommendation.

Partially implemented – Based on the last time that we audited the area or agency, the Government has taken some action on this recommendation.

Workers' Compensation Board

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Main points

This chapter describes the results of our 2010 audit of Workers' Compensation Board's (WCB) and its Pension Plan, and our follow-up of management's actions on recommendations we made in 2008 related to WCB's processes for injury prevention and safety.

In our 2008 Report – Volume 3, we reported the results of our audit of the WCB processes to ensure that recipients of money for injury prevention and safety use the money for its intended purposes. We made five recommendations. In 2011, we assessed the progress WCB has made to address our recommendations. WCB has implemented all of our recommendations.

Introduction

The Saskatchewan Workers' Compensation Board (WCB) operates under *The Workers' Compensation Act, 1979* (Act). The Act establishes a mandatory no-fault compensation program for Saskatchewan workers. The members of the WCB Board are responsible for administration of the Act.

WCB sponsors the Pension Plan for the Employees of the Saskatchewan Workers' Compensation Board (Pension Plan). The Pension Plan is a defined benefit pension plan (closed to new members since 1978). WCB is responsible for administration of the Pension Plan under *The Pension Benefits Act, 1992*. The primary objective of the Pension Plan is to provide pensions to retired employees and the dependents of deceased pensioners. Day-to-day administration of the Pension Plan is provided by the Public Employees Benefits Agency.

The WCB included its 2010 financial statements in its 2010 annual report. Those financial statements report revenue of \$294.9 million, expenses of \$282.8 million, and an operating surplus of \$12.1 million. At December 31, 2010, the WCB had investments of \$1,412.1 million and net assets of \$301.5 million.

The annual report for the Pension Plan includes its financial statements for the year ended December 31, 2010. Those financial statements report employees contributions of \$0.1 million and pensions of \$1.7 million. At December 31, 2010, the Pension Plan held assets of \$36.3 million, including investments of \$36.0 million and owed accrued pension benefits of \$36.4 million.

This chapter describes the results of our 2010 audit of WCB and the Pension Plan, and our follow-up of management's actions on recommendations we made in 2008 related to WCB's processes for injury prevention and safety.

Audit conclusions and findings

To form our opinions on WCB and the Pension Plan, our Office worked with their appointed auditor, KPMG LLP. We used the framework recommended by the *Report of the Task Force on Roles, Responsibilities, and Duties of Auditors*.¹

In our opinion, for the year ended December 31, 2010:

- ♦ The WCB had adequate rules and procedures to safeguard its and the Pension Plan's public resources
- ♦ The WCB complied with the authorities governing its activities and the activities of the Pension Plan relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- ♦ The financial statements for WCB and the Pension Plan are reliable

Injury prevention and safety—a follow-up

In 2007, we assessed WCB's processes to ensure that recipients of money for injury prevention and safety use the money for its intended purposes. Our 2008 Report – Volume 3, Chapter 19 concluded that WCB had adequate processes except for the matters covered by our recommendations.

We recommended that WCB:

- ♦ ***Formally communicate its information needs for the industrial safety program to the Ministry of Labour Relations and Workplace Safety (Ministry)***
- ♦ ***Establish processes for assessing the costs and impact of the industrial safety program on the Workers' Compensation Board's injury prevention and safety programs***

¹ To view this report, see our website at www.auditor.sk.ca/rrd.html.

- ♦ *Report to the members of the Board its assessment of the impact of the industrial safety program on injury prevention and safety*
- ♦ *Ensure there is Order in Council approval for payment of the industrial safety program costs before paying those costs*
- ♦ *Document its analysis of the effectiveness of its injury prevention and safety programs and document any changes required (2008 Report – Volume 3)*

On December 9, 2008, the Standing Committee on Public Accounts agreed with our recommendations.

Status – As at February 28, 2011, WCB has implemented all of the recommendations.

We describe below the steps WCB has taken to implement our recommendations.

Communicate information needs to the Ministry

In July 2008, WCB signed a memorandum of understanding (MOU) with the Ministry of Labour Relations and Workplace Safety (Ministry). The objective of the MOU is for the Ministry and WCB to develop an effective provincial injury prevention and safety strategy. The MOU provides for the Ministry and WCB to jointly develop a strategic and operational plan and an annual budget, and regularly report on their success in achieving the goals and objectives of the provincial injury prevention and safety strategy to the WCB Board and the Ministry.

The MOU established a Steering Committee and a Working Group. Both WCB and the Ministry participate in the Steering Committee and Working Group. These groups developed a strategic and operational plan along with action plans that outlines the steps WCB and the Ministry need to achieve the objectives and targets outlined in the strategic and operational plan.

Through the Steering Committee and the Working Group, WCB is able to communicate its information needs for the industrial safety program to the Ministry.

Processes for assessing costs and impact of the industrial safety program

As mentioned above, the Steering Committee and Working Group developed action plans to enable WCB and the Ministry to achieve the objectives and targets outlined in the strategic and operational plan.

The strategic and operational plan specifies targets and action plans to achieve those targets. The Working Group reports to the Steering Committee on the achievement of those targets. For example, WCB set a target of 8.85% for the total injury rate. WCB uses the trend of the injury rate as a key factor in setting its premium rates. The 2010 progress report shows that WCB met its target for all four quarters of 2010. The Ministry and WCB use these results as a basis for developing future action plans and targets. WCB assesses the costs of the program and its impact on injury prevention and safety. If there are areas where the Ministry does not have the resources to carry out certain actions, WCB will do the work directly. This is reflected in the action plans.

Reporting to the Board the impact of the industrial safety program

The members of the Board of WCB receive periodic reports on the status of planned activities and actual outcomes. Reports show injury rates compared to targets and outline progress in increasing public awareness of injury prevention.

In addition to reporting to the Board, WCB has published on its website the strategic and operational plan as well as various reports that describe progress in meeting its targets.

Order in Council approval for industrial safety costs

WCB has obtained Order in Council approval for the amounts paid to the Ministry for the cost of the industrial safety program.

Analysis of effectiveness of industrial safety programs

WCB, through its Working Group, analyzes the effectiveness of the actions taken and reports the results regularly to WCB and the Ministry.

NOTE:

All persons making use of this consolidation are reminded that it has no legislative sanction, that the amendments have been embodied only for convenience of reference and that the original statutes and regulations should be consulted for all purposes of interpretation and application of the law. Please note, however, that in order to preserve the integrity of the original statutes and regulations, errors that may have appeared are reproduced in this consolidation.

The Provincial Auditor Act

SHORT TITLE AND INTERPRETATION

Short Title

- 1 This Act may be cited as *The Provincial Auditor Act*.

Interpretation

- 2 In this Act:

- (a) **"acting provincial auditor"** means the acting provincial auditor appointed pursuant to section 5;
- (a.1) **"appointed auditor"** means an auditor appointed pursuant to an Act or other authority by the Lieutenant Governor in Council or another body to examine the accounts of a Crown agency or Crown-controlled corporation or accounts otherwise related to public money;
- (b) **"audit"** means an audit or examination of accounts of public money that may be made by the provincial auditor pursuant to this Act;
- (c) **"Crown"** means Her Majesty the Queen in right of Saskatchewan;
- (d) **"Crown agency"** means an association, board, commission, corporation, council, foundation, institution, organization or other body, whether incorporated or unincorporated, all the members of which or all of the board of management or board of directors of which:
 - (i) are appointed by an Act or by the Lieutenant Governor in Council; or
 - (ii) are, in the discharge of their duties, public officers or servants of the Crown;

Appendix 1

and includes a corporation that has at least 90% of its issued and outstanding voting shares vested in the Crown;

(e) **"Crown-controlled corporation"** means a corporation that is not a Crown agency and that has less than 90% and more than 50% of its issued and outstanding voting shares vested in the Crown;

(f) **"fiscal year"** means the period commencing on April 1 in one year and ending on March 31 in the next year;

(g) **"provincial auditor"** means the Provincial Auditor for Saskatchewan appointed pursuant to section 3.1;

(g.1) **"public accounts committee"** means the Standing Committee of the Legislative Assembly on Public Accounts;

(h) **"public money"** means all revenues and public moneys from whatever source arising, whether the revenues and moneys:

(i) belong to the Government of Saskatchewan; or

(ii) are collected or held by officers of the departments of the Government of Saskatchewan or Crown agencies for, on account of or in trust for the Government of Canada or the government of any other province or for any other party or person;

and includes public property;

(i) **"public property"** means property held or administered by the Crown;

(j) **"Speaker"** means the member of the Legislative Assembly elected as Speaker in accordance with *The Legislative Assembly and Executive Council Act, 2007*.

1983, c.P-30.01, s.2; 1986-87-88, c.26, s.4;
2001, c.32, s.3; 2005, L-11.2, s.97; 2007,
c.6, s.2.

APPOINTMENT AND OFFICE

Provincial Auditor for Saskatchewan

3(1) The office of Provincial Auditor for Saskatchewan is established.

(2) The provincial auditor is an officer of the Legislative Assembly.
2001, c.32, s.4.

Appointment of provincial auditor

3.1(1) On the unanimous recommendation of the public accounts committee, the Legislative Assembly shall, by resolution, appoint a provincial auditor.

(2) The provincial auditor holds office for a term of 10 years from the date of his or her appointment unless, before that term expires, he or she:

- (a) resigns or is suspended or removed from office pursuant to section 3.2; or
 - (b) attains the normal date of retirement for employees of the public service of Saskatchewan.
- (3) The provincial auditor may apply for a second or subsequent term.
2001, c.32, s.4.

Resignation, removal of provincial auditor

3.2(1) The provincial auditor may resign the office at any time by giving written notice:

- (a) to the Speaker; or
 - (b) if there is no Speaker or if the Speaker is absent from Saskatchewan, to the President of the Executive Council.
- (2) The Legislative Assembly may, by resolution, suspend or remove the provincial auditor from office for cause.

2001, c.32, s.4.

Salary of the provincial auditor

4(1) Subject to subsections (2) and (3), the provincial auditor is to be paid a salary equal to the average salary of all the deputy ministers and acting deputy ministers of the Government of Saskatchewan calculated as at April 1 in each year.

(2) Any benefits or payments that may be characterized as deferred income, retirement allowances, separation allowances, severance allowances or payments in lieu of notice are not to be included in calculating the average salary of all the deputy ministers and acting deputy ministers pursuant to subsection (1).

(3) Where, as a result of a calculation made pursuant to subsection (1), the salary of a provincial auditor would be less than that provincial auditor's previous salary, the provincial auditor is to be paid not less than his or her previous salary.

(4) The provincial auditor is entitled to receive any privileges of office and economic adjustments that are provided generally to deputy ministers.

(5) The salary of the provincial auditor shall be paid out of the general revenue fund.
2001, c.32, s.5.

Acting provincial auditor

5(1) The provincial auditor may appoint an employee of his office as acting provincial auditor.

(2) Where the position of provincial auditor is vacant and there is no acting provincial auditor, the Lieutenant Governor in Council may appoint a person as acting provincial auditor who is to hold office until an acting provincial auditor is appointed pursuant to subsection (1).

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(3) Where the position of provincial auditor is vacant or the provincial auditor is absent or unable to perform his duties due to illness or other disability, the acting provincial auditor has all the powers and shall exercise all the duties of the provincial auditor.

1983, c.P-30.01, s.5.

Qualifications of provincial auditor, acting provincial auditor

6 No person is eligible to be appointed as provincial auditor or as acting provincial auditor unless he is a member in good standing of the Institute of Chartered Accountants of Saskatchewan.

1983, c.P-30.01, s.6.

Advisors, etc.

7 For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Act, the provincial auditor may engage the services of or retain any technical, professional or other advisers, specialists or consultants that he considers necessary.

1983, c.P-30.01, s.7; 2001, c.32, s.6.

Office of the provincial auditor

8(1) The provincial auditor may employ any persons that he considers necessary to assist him in carrying out his duties and fulfilling his responsibilities under this Act.

(2) Employees of the provincial auditor's office are employees of the Legislative Assembly and are not members of the public service of Saskatchewan.

(3) The employee benefits applicable to the public servants of Saskatchewan apply or continue to apply, as the case may be, to the provincial auditor and the employees of the provincial auditor's office.

(4) *The Public Service Superannuation Act, The Superannuation (Supplementary Provisions) Act and The Public Employees Pension Plan Act* apply to the provincial auditor and the employees of the provincial auditor's office, and all credits in any superannuation plan or fund established pursuant to those Acts for the provincial auditor and the employees of the provincial auditor's office and accumulated under those Acts, before the coming into force of this section, are preserved and continued in accordance with those Acts.

(5) The provincial auditor shall administer, manage and control the provincial auditor's office and the general business of the office and shall oversee and direct the staff of the office.

1983, c.P-30.01, s.8; 2001, c.32, s.7.

Confidentiality

9 The provincial auditor shall require every person employed in his or her office, and any person engaged or retained pursuant to section 7, who is to examine the accounts of a department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that department, Crown agency or Crown-controlled corporation.

1983, c.P-30.01, s.9; 2001, c.32, s.8.

Delegation of authority

10 The provincial auditor may delegate to any member of the provincial auditor's office the authority to exercise any power or to perform any duty conferred on the provincial auditor pursuant to this Act, other than the duty to make:

- (a) an annual report on operations pursuant to section 10.4;
- (b) a business and financial plan pursuant to section 10.5;
- (c) an annual report pursuant to section 12; or
- (d) a special report to the Legislative Assembly.

2001, c.32, s.9.

Estimates

10.1(1) For each fiscal year, the provincial auditor shall present to the public accounts committee, in accordance with any instructions from the public accounts committee, estimates of the moneys that will be required to be provided by the Legislature for the expenses of the provincial auditor's office, including an amount for unforeseen expenses.

(2) On receipt of the estimates pursuant to subsection (1), the public accounts committee:

- (a) shall review the estimates; and
- (b) may make any alterations to the estimates that the public accounts committee considers appropriate.

(3) After reviewing and making any alterations to the estimates pursuant to subsection (2), the public accounts committee shall approve the estimates.

(4) After approving the estimates pursuant to subsection (3), the chairperson of the public accounts committee shall submit the estimates to the Speaker and to the Board of Internal Economy.

(5) The Speaker shall cause the estimates submitted pursuant to subsection (4) to be laid before the Legislative Assembly.

(6) Notwithstanding subsections (1) to (5), if a public accounts committee has not been appointed by a date to allow the Speaker to cause the estimates of the provincial auditor for a fiscal year to be laid before the Legislative Assembly pursuant to subsections (1) to (5), the Speaker shall cause the estimates of the provincial auditor for the previous fiscal year to be laid before the Legislative Assembly.

(7) The Legislative Assembly may refer the estimates laid before it pursuant to subsection (5) or (6) to a Standing Committee of the Legislative Assembly.

(8) Where the estimates are not referred to a Standing Committee of the Legislative Assembly, the estimates are to be considered in the Committee of Finance and defended by a member of the Executive Council who is designated by the President of the Executive Council.

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- (9) *The Tabling of Documents Act, 1991* does not apply to the estimates required to be prepared by the provincial auditor pursuant to this section.

2001, c.32, s.9.

Unprovided for or unforeseen expenses

10.2(1) For the purposes of this section, the Legislature is not in session where it:

- (a) is prorogued; or
 - (b) is adjourned for an indefinite period or to a day more than seven days after the Lieutenant Governor in Council made the order directing the preparation of the special warrant pursuant to this section.
- (2) If the Legislature is not in session, the provincial auditor may report to the public accounts committee that:
- (a) a matter has arisen with respect to the administration of this Act respecting an expense required by the provincial auditor's office that was not foreseen or provided for, or was insufficiently provided for; and
 - (b) the provincial auditor is of the opinion that there is no appropriation for the expense or that the appropriation is exhausted or insufficient and that the expense is urgently and immediately required for the public good.
- (3) On receipt of a report of the provincial auditor pursuant to subsection (2), the public accounts committee:
- (a) shall review the report and make any alterations to the funding request in the report that the public accounts committee considers appropriate; and
 - (b) may recommend to the Minister of Finance that a special warrant be issued authorizing the expense in the amount the public accounts committee determines to be appropriate.
- (4) On receipt of a recommendation of the public accounts committee pursuant to subsection (3), the Minister of Finance shall recommend to the Lieutenant Governor in Council that a special warrant be issued authorizing the expense in the amount recommended by the public accounts committee.
- (5) On receipt of a recommendation of the Minister of Finance pursuant to subsection (4), the Lieutenant Governor in Council may order a special warrant to be prepared for the signature of the Lieutenant Governor authorizing the expense in the amount recommended by the public accounts committee.
- (6) For the purposes of *The Financial Administration Act, 1993* and of this Act, a special warrant issued pursuant to subsections (1) to (5) is deemed to be a special warrant issued pursuant to section 14 of *The Financial Administration Act, 1993*, and that Act applies to a special warrant issued pursuant to those subsections as if it were issued pursuant to section 14 of that Act.

(7) Notwithstanding subsections (1) to (6), the provincial auditor may request that the Minister of Finance recommend that a special warrant be issued pursuant to section 14 of *The Financial Administration Act, 1993* if:

- (a) a public accounts committee has not been appointed; and
- (b) the provincial auditor reports that the conditions mentioned in clauses (2)(a) and (b) are met.

2001, c.32, s.9.

Expenses limited to appropriation

10.3(1) In this section, "appropriation" means:

- (a) an appropriation for the expenses of the provincial auditor's office made by an *Appropriation Act*;
- (b) an appropriation by special warrant issued pursuant to section 10.2; and
- (c) any other amount that is permitted or directed to be paid out of the general revenue fund pursuant to this or any other Act for the expenses of the provincial auditor's office.

(2) The provincial auditor shall not incur expenses for a fiscal year in excess of the appropriation for that fiscal year.

(3) The Minister of Finance shall pay to the provincial auditor out of the general revenue fund the appropriation for a fiscal year in the amounts and at the times requested by the provincial auditor.

(4) Where the amounts paid to the provincial auditor pursuant to subsection (3) on account of an appropriation for a fiscal year exceed the expenses of the provincial auditor's office for that fiscal year, the provincial auditor shall repay the excess to the Minister of Finance as soon as is practicable after the end of the fiscal year, and the Minister of Finance shall deposit any amounts received pursuant to this subsection in the general revenue fund.

2001, c.32, s.9.

Annual report on operations

10.4(1) In each fiscal year, the provincial auditor shall prepare and submit to the Speaker an annual report on operations that is to consist of the following:

- (a) a report on the operations of the provincial auditor's office for the preceding fiscal year;
- (b) the audited financial statement for the provincial auditor's office showing the results of its operations for the preceding fiscal year.

(2) The provincial auditor shall submit the annual report on operations mentioned in subsection (1) within 120 days after the end of the fiscal year to which the annual report on operations relates.

2001, c.32, s.9.

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Business and financial plan

10.5 Prior to the beginning of each fiscal year, by a date that may be required by the public accounts committee, the provincial auditor shall prepare and submit to the Speaker a business and financial plan for the provincial auditor's office showing its planned operations and its planned revenues and expenses for the fiscal year

2001, c.32, s.9.

DUTIES AND POWERS

Examination of accounts

11(1) The provincial auditor is the auditor of the accounts of the government of Saskatchewan and shall examine all accounts related to public money and any accounts not related to public money that he is required by an Act to examine, and shall determine whether, in his opinion:

- (a) the accounts have been faithfully and properly kept;
- (b) public money has been fully accounted for and properly disposed of, and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of public money;
- (c) public money expended has been applied to the purposes for which it was appropriated by the Legislature and the expenditures have adequate statutory authority; and
- (d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control public money.

(2) An appointed auditor is subject to the examination responsibilities prescribed in clauses (1)(a) to (d).

(3) For the purposes of this section, where an auditor, including an appointed auditor, is required to examine accounts and render an opinion on those accounts, he shall do so in accordance with generally accepted auditing standards as prescribed from time to time by the Canadian Institute of Chartered Accountants.

1986-87-88, c.26, s.6.

Reliance on report of appointed auditor

11.1(1) In the fulfilment of his responsibilities as the auditor of the accounts of the Government of Saskatchewan, the provincial auditor may rely on the report of the appointed auditor of a Crown agency or Crown-controlled corporation if he is satisfied that the appointed auditor has carried out his responsibilities pursuant to section 11 with respect to that Crown agency or Crown-controlled corporation.

(2) The provincial auditor may only rely on the report of an appointed auditor of a Crown agency or the appointed auditor of a Crown-controlled corporation if the appointed auditor:

- (a) is a member in good standing of a recognized accounting profession that is regulated by an Act; and

- (b) is not employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.
- (3) Where the provincial auditor determines pursuant to subsection (1) or (2) that he or she is unable to rely on the report of the appointed auditor with respect to a Crown agency or Crown-controlled corporation, the provincial auditor shall conduct additional audit work with respect to the accounts of that Crown agency or Crown-controlled corporation.
- (4) Where the provincial auditor has conducted additional audit work on the accounts of a Crown agency or Crown-controlled corporation pursuant to subsection (3), the provincial auditor shall report in his or her annual report pursuant to this section:
 - (a) the reason that the provincial auditor was unable to rely on the report of the appointed auditor of the Crown agency or Crown-controlled corporation;
 - (b) the nature of the additional audit work the provincial auditor conducted; and
 - (c) the results of the additional audit work.

1986-87-88, c.26, s.6; 2001, c.32, s.10.

Annual Report

12(1) At the end of each fiscal year, the provincial auditor and every appointed auditor shall prepare a report on the results of all examinations that they have conducted of departments of the Government of Saskatchewan, Crown agencies and Crown-controlled corporations during that year giving details of any reservation of opinion made in an audit report, and shall identify any instances they consider to be of significance and of a nature that should be brought to the attention of the Legislative Assembly, including any cases in which they observe:

- (a) any officer or employee of a department of the Government of Saskatchewan or Crown agency has wilfully or negligently omitted to collect or receive any public money belonging to the Crown;
- (b) any public money was not duly accounted for and paid into the appropriate fund;
- (c) any appropriation was exceeded or was applied to a purpose or in a manner not authorized by the Legislature;
- (d) an expenditure was made for which there was no authority or which was not properly vouchered or certified;
- (e) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person;
- (f) a special warrant authorized the payment of public money; or
- (g) essential records were not maintained or the rules and procedures applied were not sufficient:
 - (i) to safeguard and control public money;

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(ii) to effectively check the assessment, collection and proper allocation of public money; or

(iii) to ensure that expenditures were made only as authorized.

(1.1) On completion of any examination of the accounts of a Crown agency or Crown-controlled corporation, an appointed auditor shall submit to the provincial auditor the report prepared pursuant to subsection (1) with respect to that Crown agency or Crown-controlled corporation.

(1.2) At the end of each fiscal year, the provincial auditor shall compile the reports submitted to him by appointed auditors pursuant to subsection (1.1) and shall submit them together with his report prepared pursuant to this section in the form of an annual report to the Legislative Assembly.

(2) In the annual return made pursuant to subsection (1), the provincial auditor may:

(a) report on the work of his office and on whether, in carrying on the work of his office, he received all the information, reports and explanations he required from departments of the Government of Saskatchewan, Crown agencies or Crown-controlled corporations or their auditors; and

(b) comment on the financial statements of any department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation of which he is the auditor.

(3) Notwithstanding subsection (1), neither the provincial auditor nor any appointed auditor is required to report to the Legislative Assembly on any matter that he considers immaterial or insignificant.

1983, c.P-30.01, s.12; 1986-87-88, c.26, s.7.

Special report

13 The provincial auditor may prepare a special report to the Legislative Assembly on any matter that is, in his opinion, important or urgent.

1983, c.P-30.01, s.13.

Submission of provincial auditor's reports

14 Notwithstanding *The Tabling of Documents Act, 1991*, the provincial auditor shall submit to the Speaker, as soon as is practicable:

(a) the annual report prepared pursuant to section 12; and

(b) any special report that is prepared by the provincial auditor pursuant to section 13.

2001, c.32, s.11.

Tabling of reports

14.1(1) In this section, "report" means:

(a) an annual report on the operations of the provincial auditor's office that is submitted to the Speaker pursuant to section 10.4;

- (b) a business and financial plan for the provincial auditor's office that is submitted to the Speaker pursuant to section 10.5;
 - (c) an annual report prepared pursuant to section 12 that is submitted to the Speaker pursuant to section 14;
 - (d) any special report that is prepared by the provincial auditor pursuant to section 13 that is submitted to the Speaker pursuant to section 14; or
 - (e) a report of the auditor of the accounts of the provincial auditor's office that is submitted to the Speaker pursuant to section 27.
- (2) The Speaker shall lay before the Legislative Assembly each report received by the Speaker as soon as is practicable after it is received.
- (3) If the Legislative Assembly is not in session when the Speaker receives a report, the Speaker shall submit the report to the Clerk of the Legislative Assembly.
- (4) When the Clerk of the Legislative Assembly receives a report pursuant to subsection (3), the Clerk shall, as soon as possible:
- (a) subject to subsection (5), cause a copy of the report to be delivered to each member of the Legislative Assembly; and
 - (b) make the report available for public inspection during normal business hours of the Clerk of the Legislative Assembly.
- (5) The requirement in subsection (4) to deliver a copy of a report to the members of the Legislative Assembly does not apply in the period that:
- (a) commences on the day a Legislative Assembly is dissolved; and
 - (b) ends on the day fixed for making the return to the writ for the general election held pursuant to *The Election Act, 1996* that follows the dissolution mentioned in clause (a).
- (6) If a report is submitted to the Clerk of the Legislative Assembly in accordance with subsection (3), the report is deemed to have been laid before the Assembly.
- (7) Where a report is laid before the Legislative Assembly pursuant to subsection (2) or is deemed to be laid before the Legislative Assembly pursuant to subsection (6), the report is deemed to be referred to the public accounts committee.
- (8) Notwithstanding subsection (7), where a report or part of a report mentioned in subsection (7) deals with a matter that relates to the Crown Investments Corporation of Saskatchewan or a subsidiary Crown corporation within the meaning of *The Crown Corporations Act, 1993*, the report or part of the report is deemed to be referred to the Standing Committee of the Legislative Assembly on Crown Corporations.

2001, c.32, s.11.

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Certification of Statements

15(1) The provincial auditor or the appointed auditor, as the case may be, shall express an opinion, in accordance with the outcome of his examinations, on the financial statements of:

- (a) any funds that he is required to audit pursuant to subsection 11(1);
- (b) Crown agencies;
- (c) Crown-controlled corporations; and
- (d) accounts not related to public money that are, by an Act, required to be examined by him.

(2) Notwithstanding any other provision of this Act, the provincial auditor is not required to audit or report on the financial statements of a Crown agency or Crown-controlled corporation for which there is an appointed auditor.

1983, c.P-30.01, s.15; 1986-87-88, c.26, s.9.

Special assignments

16(1) Where:

- (a) the Legislative Assembly or the Standing Committee of the Legislative Assembly on Public Accounts:
 - (i) requests the provincial auditor to perform a special assignment; and
 - (ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and
- (b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor shall perform the special assignment.

(2) Notwithstanding *The Tabling of Documents Act*:

- (a) the provincial auditor shall submit to the Speaker, as soon as is practicable, the report of any special assignment prepared pursuant to subsection (1) on the request of the Legislative Assembly; and
- (b) the Speaker shall, as soon as is practicable, lay before the Legislative Assembly each report received by him pursuant to clause (a).

(3) The provincial auditor shall submit to the Clerk of the Assembly a special report prepared pursuant to subsection (1) on the request of the Standing Committee of the Legislative Assembly on Public Accounts, and the clerk shall make the special report available to the members of that committee.

(4) Where:

- (a) the Lieutenant Governor in Council:

- (i) requests the provincial auditor to perform a special assignment; and
 - (ii) causes the provincial auditor to be provided with the funding that the provincial auditor considers necessary to undertake the special assignment; and
- (b) in the opinion of the provincial auditor, the special assignment will not unduly interfere with his other duties prescribed in this Act;

the provincial auditor may perform the special assignment.

- (5) The provincial auditor shall submit, as soon as is practicable, a special report prepared pursuant to subsection (4) to the Lieutenant Governor in Council.

1983, c.P-30.01, s.16.

Improper retention of public money

17 Whenever, in the opinion of the provincial auditor or another auditor who is appointed to undertake an audit of Crown agencies or Crown-controlled corporations, any public money or revenues or money collected or held by employees of Crown-controlled corporations have been improperly retained by any person, the provincial auditor or the other auditor, as the case may be, shall immediately report the circumstances of that case to the member of the Executive Council who is responsible for the department of the Government of Saskatchewan, Crown agency or Crown-controlled corporation and the Minister of Finance.

1983, c.P-30.01, s.17.

Cancelled securities

18 The provincial auditor shall:

- (a) cause to be examined debentures and other securities of the Government of Saskatchewan that have been redeemed;
- (b) assure himself or herself that the securities described in clause (a) have been properly cancelled;
- (c) at any time and to any extent that the Minister of Finance may require, participate in the destruction of any redeemed or cancelled securities or unissued reserves of securities; and
- (d) at any time that he or she is requested to do so by the Minister of Finance, participate in audit assignments in connection with the filing of a prospectus and registration material required for the issuance and sale of securities of the Government of Saskatchewan.

1983, c.P-30.01, s.18; 2001, c.32, s.12.

Attendance before Public Accounts Committee

19 On the request of the Standing Committee of the Legislative Assembly on Public Accounts, the provincial auditor and any member of his office shall attend meetings of that committee to assist that committee:

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(a) in planning the agenda for its review of the public accounts, the annual report of the provincial auditor, a special report prepared pursuant to section 13 or a report prepared pursuant to subsection 16(1) on the request of the committee; and

(b) during its review of the the items described in clause (a).

1983, c.P-30.01, s.19.

AUDIT COMMITTEE

Audit committee

20(1) In this section and in sections 21 to 23, "**audit committee**" means the audit committee established pursuant to subsection (2).

(2) An audit committee is established.

(3) The audit committee is to consist of not more than five persons appointed by the Speaker on the unanimous recommendation of the public accounts committee.

(4) A recommendation of the public accounts committee pursuant to subsection (3) is to be made only after the public accounts committee has consulted with the Standing Committee of the Legislative Assembly on Crown Corporations.

(5) The following persons are not eligible to be a member of the audit committee:

(a) a Member of the Legislative Assembly;

(b) an appointed auditor;

(c) an employee of the Government of Saskatchewan, of a Crown agency, of a Crown-controlled corporation or of the provincial auditor's office.

(6) The Speaker shall designate as chairperson the member of the audit committee unanimously recommended by the public accounts committee.

(7) The audit committee may determine its rules of procedure.

(8) All expenses of the audit committee are to be paid out of the appropriation for the Legislative Assembly Service.

2001, c.32, s.13; 2005, c.L-11.2, s.97.

Functions of the audit committee

21(1) The public accounts committee may request the audit committee to assist it in undertaking the following:

(a) the recommending of a provincial auditor;

(b) the review of the estimates of the provincial auditor;

(c) the review of the annual report on operations of the provincial auditor;

(d) the review of any report of the provincial auditor prepared pursuant to section 12 or 13;

(e) any other matters that the public accounts committee may request.

(2) The provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations may request the audit committee to review any matter that, in the opinion of the provincial auditor, the Minister of Finance, the member of the Executive Council responsible for *The Crown Corporations Act, 1993* or the Standing Committee of the Legislative Assembly on Crown Corporations, as the case may be, should be considered by the audit committee.

2001, c.32, s.13.

Information to be provided to audit committee

22(1) The audit committee may request the provincial auditor and any officers or employees of the Government of Saskatchewan, a Crown agency or a Crown-controlled corporation to provide the audit committee with any information that the audit committee considers necessary to carry out its functions mentioned in section 21, and the provincial auditor and the officers or employees of the Government of Saskatchewan, the Crown agency or the Crown-controlled corporation may provide the information requested.

(2) The audit committee and each member of the audit committee:

(a) shall preserve secrecy with respect to all matters that come to their knowledge in the course of performing their functions pursuant to this Act; and

(b) shall not communicate those matters to any person, other than when required to do so in the performance of their functions pursuant to this Act.

2001, c.32, s.13.

Availability of reports

23(1) For the purpose of allowing the Minister of Finance to review and comment on the provincial auditor's annual report prepared pursuant to section 12, the provincial auditor shall submit the provincial auditor's annual report to the Minister of Finance at least 10 days before the provincial auditor causes the annual report to be printed for submission to the Speaker.

(2) The provincial auditor shall submit to the Minister of Finance any special report prepared pursuant to section 13 before the provincial auditor submits that special report to the Speaker.

2001, c.32, s.13.

GENERAL

Right to information, accommodation

24(1) The provincial auditor or the appointed auditor, as the case may be, is entitled:

(a) to free access, at all convenient times, to:

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(i) all electronic data processing equipment and programs and documentation related to the electronic data processing equipment; and

(ii) all files, documents and other records relating to the accounts;

of every department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person that he is required to examine or audit or, in the case of the provincial auditor, with respect to which he is examining pursuant to a special assignment; and

(b) to require and receive from employees of a department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or other person subject to examination or audit by him any information, reports and explanations that he considers necessary for the proper performance of his duties.

(2) The provincial auditor or an appointed auditor, as the case may be, may station in any department of the Government of Saskatchewan, Crown agency, Crown-controlled corporation or with any other person subject to examination or audit by him any employee of his office or advisor, specialist or consultant to enable him more effectively to carry out his duties, and the department, Crown agency, Crown-controlled corporation or other person subject to examination or audit shall provide the necessary office accommodation for the employee, advisor, specialist or consultant person so stationed.

1983, c.P-30.01, s.24; 1986-87-88, c.26, s.10.

Inquiries

25 The provincial auditor may examine any person on any matter relating to any account that is subject to an examination or audit by him, and, for the purposes of that examination, he may exercise all the powers of commissioners under *The Public Inquiries Act*.

1983, c.P-30.01, s.25.

Working papers

26 Neither the provincial auditor nor any appointed auditor is required to lay any audit working papers of his office before the Legislative Assembly or any committee of the Legislature.

1983, c.P-30.01, s.26; 1986-87-88, c.26, s.11.

Change in auditor

26.1 Where the auditor of a Crown agency or Crown-controlled corporation has been changed, the new auditor and the previous auditor shall deal with the transition in accordance with the rules of professional conduct as established from time to time by the Institute of Chartered Accountants of Saskatchewan.

1986-87-88, c.26, s.12.

Auditor of accounts of provincial auditor's office

27(1) On the recommendation of the public accounts committee, the Lieutenant Governor in Council shall appoint an accountant who meets the qualifications set out in subsection (2) to annually audit the accounts of the provincial auditor's office.

(2) For the purposes of subsection (1), the accountant appointed pursuant to this section:

- (a) must be a member in good standing of a recognized accounting profession that is regulated by an Act; and
- (b) must not be employed by a department of the Government of Saskatchewan, a Crown agency, a Crown-controlled corporation or the provincial auditor's office.
- (3) The accountant appointed pursuant to subsection (1) has the same powers and shall perform the same duties in relation to an audit of the accounts of the provincial auditor's office that the provincial auditor has or performs in relation to an audit performed pursuant to this Act.
- (4) The auditor of the accounts of the provincial auditor's office shall submit his or her report to the Speaker.

2001, c.32, s.14.

Fees

28(1) The provincial auditor may charge a reasonable fee for professional services provided by provincial auditor's office.

- (2) All fees charged pursuant to subsection (1) and all other revenues received by the provincial auditor pursuant to this Act shall be deposited in the general revenue fund.

1983, c.P-30.01, s.28; 2001, c.32, s.15.

Limitation of liability

29 The provincial auditor, the employees in the provincial auditor's office and any adviser, specialist or consultant engaged or retained pursuant to section 7 are not liable in any action for any act done or not done or on any statement made by them in good faith in connection with any matter they are authorized or required to do under this Act.

1983, c.P-30.01, s.29; 2001, c.32, s.16.

Information confidential

30 The provincial auditor, any employee in the provincial auditor's office, an appointed auditor, any employee of an appointed auditor or any adviser, specialist or consultant engaged or retained pursuant to section 7:

- (a) shall preserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her employment or duties under this Act; and
- (b) shall not communicate those matters to any person, other than when he or she is required to do so in connection with:
 - (i) the administration of this Act;
 - (ii) any proceedings under this Act; or
 - (iii) any proceedings in a court of law.

1983, c.P-30.01, s.30; 1986-87-88, c.26, s.13; 2001, c.32, s.17.

31 Repealed. 2001, c.32, s.18.

Appendix 1

Transitional

32(1) The person appointed on the day before the coming into force of this section as provincial auditor pursuant to *The Department of Financial Act*, as that Act existed on the day before the coming into force of this Act, is deemed to be appointed as provincial auditor pursuant to this Act.

(2) On the day this section comes into force, the members of the public service who are employed in the office of the provincial auditor cease to be employed in the public service and each such person becomes an employee of the office of the provincial auditor at a salary of not less than that he was receiving on the day before the day this section comes into force.

1983, c.P-30.01, s.32.

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List and status of agencies subject to examination under *The Provincial Auditor Act*

Appendix 2 lists the ministries, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies which administer public money that were subject to audit examination under *The Provincial Auditor Act* at December 31, 2010.

This Appendix includes the status of those audits at March 31, 2011. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. We have not completed the audits at a few agencies. To provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate incomplete audits, but rather include their results in future reports.

Appendix 2

Agency	Fiscal year end	Status at March 31, 2011 ¹	Significant issues reported ²
Government of Saskatchewan – Summary Financial Statements	March 31	Complete	Yes/2010 Rpt V2
Ministries and Secretariats:			
Enterprise and Innovation programs	March 31	Complete	No
Ministry of Advanced Education, Employment and Immigration (formerly Ministry of Advanced Education, Employment and Labour)	March 31	Complete	Yes/2010 Rpt V2 & 2011 Rpt V1
Ministry of Agriculture	March 31	Complete	Yes/2010 Rpt V2
Ministry of Corrections, Public Safety and Policing	March 31	Complete	Yes/2010 Rpt V2 & 2011 Rpt V1
Ministry of Education	March 31	Complete	Yes/2010 Rpt V2
Ministry of Energy and Resources	March 31	Complete	Yes/2010 Rpt V2
Ministry of Environment	March 31	Complete	Yes/2010 Rpt V2
Ministry of Finance	March 31	Complete	Yes/2010 Rpt V2
Ministry of First Nations and Métis Relations	March 31	Complete	Yes/2010 Rpt V2
Ministry of Government Services	March 31	Complete	Yes/2010 Rpt V2 & 2011 Rpt V1
Ministry of Health	March 31	Complete	Yes/2010 Rpt V2
Ministry of Highways and Infrastructure	March 31	Complete	Yes/2010 Rpt V2 & 2011 Rpt V1
Ministry of Justice and Attorney General	March 31	Complete	Yes/2010 Rpt V2 & 2011 Rpt V1
Ministry of Labour Relations and Workplace Safety	March 31	Note 3	
Ministry of Municipal Affairs	March 31	Complete	Yes/2010 Rpt V2
Ministry of Social Services	March 31	Complete	Yes/2010 Rpt V2
Ministry of Tourism, Parks, Culture, and Sport	March 31	Complete	Yes/2010 Rpt V2
Executive Council	March 31	Complete	Yes/2010 Rpt V2
Information Technology Office	March 31	Complete	Yes/2010 Rpt V2 & 2011 Rpt V1
Office of the Provincial Capital Commission	March 31	Note 3	
Provincial Secretary, Office of the Public Service Commission	March 31	Complete	No
	March 31	Complete	Yes/2010 Rpt V2 & 2011 Rpt V1
Crown agencies:			
101005716 Saskatchewan Ltd.	December 31	Note 1	
101027596 Saskatchewan Ltd.	December 31	Note 1	
101039181 Saskatchewan Ltd.	December 31	Note 1	
101047589 Saskatchewan Ltd.	March 31	Complete	No
101047593 Saskatchewan Ltd.	March 31	Complete	No

Appendix 2

Agency	Fiscal year end	Status at March 31, 2011 ¹	Significant issues reported ²
101069101 Saskatchewan Ltd.	December 31	Note 1	
610277 Saskatchewan Ltd.	December 31	Note 1	
617275 Saskatchewan Ltd.	December 31	Note 1	
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No
Avonlea Holding, Inc.	December 31	Note 1	
Battleford International, Inc.	December 31	Note 1	
Bayhurst Energy Services Corporation	December 31	Complete	No
Bayhurst Gas Limited	December 31	Complete	No
Beef Development Board	March 31	Complete	No
Carlton Trail Regional College	June 30	Complete	No
Chinook School Division No. 211	August 31	Complete	Yes/2011 Rpt V1
Christ the Teacher Roman Catholic Separate School Division No. 212	August 31	Complete	Yes/2011 Rpt V1
CIC Asset Management Inc.	December 31	Complete	No
CIC Foods Inc.	December 31	Note 1	
CIC FTLF Holdings Inc.	December 31	Note 1	
CIC FTMI Holdings Inc.	December 31	Note 1	
CIC OSB Products Inc.	December 31	Note 1	
CIC Pulp Ltd.	December 31	Note 1	
CIC PVF Holdings Inc.	December 31	Note 1	
CIC WLSVF Holdings Inc.	December 31	Note 1	
Coachman Insurance Company	December 31	Complete	No
Community Initiatives Fund	March 31	Complete	No
Conseil des écoles fransaskoises No. 310	August 31	Note 10	Yes/2011 Rpt V1
Creighton School Division No. 111	August 31	Complete	Yes/2011 Rpt V1
Crown Investments Corporation of Saskatchewan	December 31	Complete	Yes/2010 Rpt V2
Cumberland Regional College	June 30	Rotational	
Cypress Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
DirectWest Canada Inc.	December 31	Note 1	
DirectWest Corporation	December 31	Complete	No
Englefeld Protestant Separate School Division No. 132	August 31	Complete	Yes/2011 Rpt V1
Enterprise Saskatchewan	March 31	Complete	No
First Nations and Métis Fund Inc.	December 31	Complete	No
Five Hills Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
Global Transportation Hub Authority, The	March 31	Complete	No
Good Spirit School Division No. 204	August 31	Delayed	Yes/2011 Rpt V1
Government House Foundation, The	March 31	Complete	No
Gradworks Inc.	December 31	Complete	No

Appendix 2

Agency	Fiscal year end	Status at March 31, 2011¹	Significant issues reported²
Great Plains College	June 30	Rotational	
HARO Financial Corporation	August 31	Note 1	
Health Quality Council	March 31	Complete	No
Heartland Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
Holy Family Roman Catholic Separate School Division No. 140	August 31	Complete	Yes/2011 Rpt V1
Holy Trinity Roman Catholic Separate School Division No. 22	August 31	Delayed	Yes/2011 Rpt V1
Hollywood At Home Inc.	December 31	Note 1	
Horizon School Division No. 205	August 31	Complete	Yes/2011 Rpt V1
Hospitality Network Canada Inc.	December 31	Complete	No
Ile a la Crosse School Division No. 112	August 31	Complete	Yes/2011 Rpt V1
Information Services Corporation of Saskatchewan	December 31	Complete	No
Innovation Saskatchewan	March 31	Note 3	
Insurance Company of Prince Edward Island	December 31	Complete	No
Investment Saskatchewan Holdings Inc.	December 31	Note 1	
Investment Saskatchewan Swine Inc.	December 31	Note 1	
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
Kelsey Trail Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
Law Reform Commission of Saskatchewan	March 31	Complete	No
Light of Christ Roman Catholic Separate School Division No. 16	August 31	Complete	Yes/2011 Rpt V1
Liquor and Gaming Authority	March 31	Complete	Yes/2010 Rpt V2
Liquor and Gaming Authority Extended Health Care Plan	March 31	Delayed	
Liquor Board Superannuation Commission, The	December 31	Complete	Note 4
Living Sky School Division No. 202	August 31	Complete	Yes/2011 Rpt V1
Lloydminster Public School Division No. 99	August 31	Complete	Yes/2011 Rpt V1
Lloydminster Roman Catholic Separate School Division No. 89	August 31	Complete	Yes/2011 Rpt V1
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
Manalta Investment Company Ltd.	December 31	Note 1	
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Municipal Employees' Pension Commission	December 31	Complete	Note 2
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No

Appendix 2

Agency	Fiscal year end	Status at March 31, 2011 ¹	Significant issues reported ²
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Nokomis Holding, Inc.	December 31	Note 1	
North East School Division No. 200	August 31	Complete	Yes/2011 Rpt V1
North Sask. Laundry & Support Services Ltd.	March 31	Complete	No
North West Regional College	June 30	Rotational	
North West School Division No. 203	August 31	Complete	Yes/2011 Rpt V1
Northern Lights School Division No. 113	August 31	Complete	Yes/2011 Rpt V1
Northlands College	June 30	Complete	No
Northpoint Energy Solutions Inc.	December 31	Complete	Yes/2011 Rpt V1
Operator Certification Board	March 31	Complete	No
Owners, The: Condominium Corporation No. 101100609	March 31	Complete	No
Parkland Regional College	June 30	Rotational	
Physician Recruitment Agency of Saskatchewan	March 31	Complete	No
Power Corporation Superannuation Plan	December 31	Complete	Yes/2011 Rpt V1
Power Greenhouses Inc.	December 31	Complete	No
Prairie Agricultural Machinery Institute	March 31	Complete	No
Prairie North Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2 & 2011 Rpt V1
Prairie South School Division No. 210	August 31	Complete	Yes/2011 Rpt V1
Prairie Spirit School Division No. 206	August 31	Complete	Yes/2011 Rpt V1
Prairie Valley School Division No. 208	August 31	Complete	Yes/2011 Rpt V1
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2 & 2011 Rpt V1
Prince Albert Roman Catholic Separate School Division No. 6	August 31	Complete	Yes/2011 Rpt V1
Public Employees Pension Plan	March 31	Complete	Yes/2010 Rpt V2
Public Service Superannuation Board	March 31	Complete	Yes/2010 Rpt V2
Qu'Appelle Holding, Inc.	December 31	Note 1	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
Regina Roman Catholic Separate School Division No. 81	August 31	Complete	Yes/2011 Rpt V1
Regina School Division No. 4	August 31	Complete	Yes/2011 Rpt V1
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	Yes/2010 Rpt V2
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Association of Health Organizations (SAHO)	March 31	Complete	No
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Cancer Agency	March 31	Complete	Yes/2010 Rpt V2
Saskatchewan Centre of the Arts	March 31	Complete	No

Appendix 2

Agency	Fiscal year end	Status at March 31, 2011¹	Significant issues reported²
Saskatchewan Communications Network Corporation	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	No
Saskatchewan Development Fund Corporation	December 31	Complete	No
Saskatchewan First Call Corporation	December 31	Note 1	
Saskatchewan Gaming Corporation	December 31	Complete	Yes/2011 Rpt V1
Saskatchewan Government Growth Fund II Ltd.	December 31	Delayed Note 8	
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	No
Saskatchewan Government Growth Fund IV Ltd.	December 31	Delayed Note 8	
Saskatchewan Government Growth Fund V (1997) Ltd.	December 31	Delayed Note 8	
Saskatchewan Government Growth Fund VI Ltd.	December 31	Delayed Note 8	
Saskatchewan Government Growth Fund VII Ltd.	December 31	Delayed Note 8	
Saskatchewan Government Growth Fund VIII Ltd.	December 31	Delayed Note 8	
Saskatchewan Government Insurance	December 31	Complete	No
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Information Network	March 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	Yes/2011 Rpt V1
Saskatchewan Immigrant Investor Fund Inc.	December 31	Note 3	
Saskatchewan Impaired Driver Treatment Centre Board of Governors	March 31	Complete	No
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2010 Rpt V2
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	Yes/2010 Rpt V2
Saskatchewan Labour Market Commission	March 31	Delayed	
Saskatchewan Legal Aid Commission	March 31	Complete	Yes/2010 Rpt V2
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	No
Saskatchewan Opportunities Corporation	December 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	No
Saskatchewan Pension Plan	December 31	Complete	No

Agency	Fiscal year end	Status at March 31, 2011 ¹	Significant issues reported ²
Saskatchewan Power Corporation	December 31	Complete	No
Saskatchewan Research Council	March 31	Complete	Yes/2011 Rpt V1
Saskatchewan Rivers School Division No. 119	August 31	Complete	Yes/2011 Rpt V1
Saskatchewan Telecommunications	December 31	Complete	Yes/2011 Rpt V1
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2011 Rpt V1
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications International (Tanzania) Ltd.	December 31	Note 1	
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Transportation Company	December 31	Complete	No
Saskatchewan Valley Potato Corporation	December 31	Note 1	
Saskatchewan Water Corporation	December 31	Complete	Yes/2011 Rpt V1
Saskatchewan Watershed Authority	March 31	Complete	Yes/2010 Rpt V2
Saskatoon 2 Management Ltd.	December 31	Note 1	
Saskatoon 2 Properties Limited Partnership	December 31	Note 9	
Saskatoon Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2 & 2011 Rpt V1
Saskatoon School Division No. 13	August 31	Complete	Yes/2011 Rpt V1
SaskEnergy Incorporated	December 31	Complete	No
SaskEnergy International Incorporated	December 31	Complete	No
SaskEnergy Nova Scotia Holdings Ltd.	December 31	Note 1	
SaskPower International Inc.	December 31	Note 1	
SaskTel International Consulting, Inc.	December 31	Note 1	
SaskTel Investments Inc.	December 31	Note 1	
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	December 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 1	
South East Cornerstone School Division No. 209	August 31	Complete	Yes/2011 Rpt V1
Southeast Regional College	June 30	Complete	No
St. Augustine Roman Catholic Separate School Division No. 220	August 31	Complete	Yes/2011 Rpt V1
St. Paul's Roman Catholic Separate School Division No. 20	August 31	Complete	Yes/2011 Rpt V1
Sun Country Regional Health Authority	March 31	Complete	No
Sun West School Division No. 207	August 31	Complete	Yes/2011 Rpt V1
Sunrise Regional Health Authority	March 31	Complete	Yes/2010 Rpt V2
Swan Valley Gas Corporation	December 31	Note 1	
Teachers' Superannuation Commission	June 30	Complete	Yes/2010 Rpt V2

Appendix 2

Agency	Fiscal year end	Status at March 31, 2011¹	Significant issues reported²
Technical Safety Authority of Saskatchewan, The	June 30	Note 3	
TecMark International Commercialization Inc.	March 31	Complete	No
TransGas Limited	December 31	Complete	No
University of Regina Crown Foundation	April 30	Complete	No
University of Saskatchewan Crown Foundation	April 30	Complete	No
Vanguard Holding, Inc.	December 31	Note 1	
Wadena Holding, Inc.	December 31	Note 1	
Water Appeal Board	March 31	Complete	No
Western Development Museum	March 31	Complete	Yes/2010 Rpt V2 Yes/2010 Rpt V2 & 2011 Rpt V1
Workers' Compensation Board	December 31	Complete	
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board	December 31	Complete	No
Special purpose and trust funds:			
Capital Pension Plan	December 31	Complete	No
Commercial Revolving Fund	March 31	Complete	No
Correctional Facilities Industries Revolving Fund	March 31	Complete	Yes/2010 Rpt V2
Criminal Property Forfeiture Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Complete	No
Extended Health Care Plan	December 31	Complete	No
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	No
Extended Health Care Plan for Retired Employees	December 31	Complete	No
Fish and Wildlife Development Fund	March 31	Complete	No
General Revenue Fund	March 31	Complete	Yes/2010 Rpt V2
Growth and Financial Security Fund	March 31	Note 7	
Horned Cattle Fund	March 31	Complete	No
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Complete	No
Institutional Control Monitoring and Maintenance Fund	March 31	Complete	No
Institutional Control Unforeseen Events Fund	March 31	Complete	No
Judges of the Provincial Court Superannuation Plan	March 31	Complete	No

Agency	Fiscal year end	Status at March 31, 2011 ¹	Significant issues reported ²
Livestock Services Revolving Fund	March 31	Complete	No
Northern Municipal Trust Account	December 31	Complete	Yes/2011 Rpt V1
Oil and Gas Orphan Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	No
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Accounts	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	Yes/2010 Rpt V2
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	No
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Guardian and Trustee for Saskatchewan	March 31	Complete	No
Queen's Printer Revolving Fund	March 31	Complete	No
Residential Tenancies, Office of - Director's Trust Account	March 31	Complete	No
SAHO Core Dental Plan	December 31	Delayed	
SAHO Disability Income Plan - CUPE	December 31	Delayed	
SAHO Disability Income Plan - SEIU	December 31	Delayed	
SAHO Disability Income Plan - General	December 31	Delayed	
SAHO Disability Income Plan - SUN	December 31	Delayed	
SAHO Group Life Insurance Plan	December 31	Delayed	
SAHO In-scope Extended Health/Enhanced Dental Plan	December 31	Delayed	
SAHO Master Trust Combined Investment Fund	December 31	Delayed	
SAHO Out-of-scope Extended Health/Enhanced Dental Plan	December 31	Delayed	
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	Yes/2010 Rpt V2
Saskatchewan Financial Services Commission Fund	March 31	Complete	No
Saskatchewan Government Insurance Service Recognition Plan	December 31	Complete	No
Saskatchewan Legal Aid Commission Area Office's Lawyers' Trust Accounts	March 31	Complete	No
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No
Saskatchewan Power Corporation Severance Pay Credits Plan (formerly Saskatchewan Power Corporation Pre-1996 Severance Plan)	December 31	Complete	No

Appendix 2

Agency	Fiscal year end	Status at March 31, 2011 ¹	Significant issues reported ²
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	No
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
Saskatchewan Watershed Authority Retirement Allowance Plan	March 31	Complete	No
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
Social Services Central Trust Account	March 31	Complete	No
Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund	March 31	Complete	No
Social Services Valley View Centre Residents' Trust Account	March 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Teacher's Dental Plan	December 31	Complete	Yes/2010 Rpt V2
Teacher's Disability Plan	June 30	Complete	Yes/2010 Rpt V2
Teacher's Group Life Plan	August 31	Complete	Yes/2010 Rpt V2
Technology Supported Learning Revolving Fund	March 31	Complete	No
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Offices of the Legislative Assembly:			
Board of Internal Economy	March 31	Complete	No
Chief Electoral Office	March 31	Complete	No
Children's Advocate, Office of the	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No
Other agencies subject to examination under <i>The Provincial Auditor Act</i>:			
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Complete	No
Sask Sport Distributors Inc.	March 31	Denied Access Note 6	

Appendix 2

Agency	Fiscal year end	Status at March 31, 2011 ¹	Significant issues reported ²
University of Regina Academic and Administrative Employees Pension Plan	December 31	Delayed	
University of Regina Master Trust	December 31	Delayed	
University of Regina Non-Academic Pension Plan	December 31	Delayed	
University of Regina, The	April 30	Complete	No
University of Saskatchewan 1999 Academic Pension Plan	December 31	Delayed	
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Delayed	
University of Saskatchewan Academic Long-term Disability Plan	December 31	Delayed	
University of Saskatchewan Academic Employees' Pension Plan	December 31	Delayed	
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Delayed	
University of Saskatchewan, The	April 30	Complete	No
Western Canada Lottery Corporation	March 31	Denied Access Note 6	
Western Canada Lottery – Saskatchewan Division Inc.	March 31	Denied Access Note 6	

Note 1: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency. For the year ending December 31, 2010, these subsidiary corporations did not carry out active operations or did not produce separate financial statements.

Note 2: We continue to recommend that Municipal Employees Pension Commission have a written, tested, and approved disaster recovery plan. Refer to our 2009 Report – Volume 1 for details.

Note 3: These agencies were recently created or became Crown agencies. August 31, 2010, March 31, 2011, April 30, 2011, June 30, 2011, and December 31, 2011 will be the first period-ends audited by our Office. The status of the audits of these agencies will be provided in future reports.

Note 4: The agency does not have adequate processes to ensure retired members who returned to work for the Government are paid in accordance with the *Superannuation (Supplementary Provisions) Act*. Our 2001 Spring Report contains further information on this matter.

Note 5: These agencies are included in the summary financial statements and did not carry out active operations during their fiscal year.

Note 6: These entities refused to allow us access to their accounts related to public money. Refer to Chapter 21, Tourism, Parks, Culture and Sport in our 2010 Report – Volume 2 for details.

Note 7: The Ministry of Finance does not prepare financial statements for this Fund.

Appendix 2

- Note 8: The Fund's operations are in the process of being wound up, which has caused delays in the completion of the audit.
- Note 9: SaskTel did not prepare financial statements for the year ended December 31, 2010. SaskTel sold its interest in Saskatoon 2 Properties Limited Partnership in January 2011.
- Note 10: We will audit the Conseil des écoles fransaskoises No. 310 beginning with the year ended August 31, 2011.

-
1. "Complete" – the audit was complete at March 31, 2011.
"Delayed" – the audit was delayed.
"Rotational" – for regional colleges, we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at March 31, 2011 as "Complete". We list the other entities as "Rotational".
"Denied Access" – in a few cases, we have not been given access to the necessary information to complete the audits.
2. "No" - no significant issues were reported.
"Yes/2011 Rpt V1" – significant issues are reported in our 2011 Report – Volume 1.
"Yes/2010 Rpt V2" – significant issues are reported in our 2010 Report – Volume 2.

Samples of opinions we form on ministries, Crown agencies, and Crown-controlled corporations

Our mission states: "We serve the people of Saskatchewan through the Legislative Assembly by fostering excellence in public sector management and accountability." To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on the Government's management of and accountability practices for the public resources entrusted to it.

We advise the Legislative Assembly on:

- ♦ the adequacy of the Government's management of public resources
- ♦ the Government's compliance with legislative authorities
- ♦ the reliability of the Government's public performance reports

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by The Canadian Institute of Chartered Accountants to form our opinions. The following are samples of our audit opinions.

1. The adequacy of the Government's management of public resources.

I have audited [Crown agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Appendix 3

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgments about the effectiveness of [Crown agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements published in the *CICA Handbook - Assurance*. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgment in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, [Crown agency X]'s control was effective, in all material respects, to meet the objectives stated above as of [date] based on the CICA criteria of control framework.

2. The Government's compliance with legislative authorities.

I have made an examination to determine whether [Crown agency X], complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing and investing activities during the year ended [Year end]:

(List legislative and related authorities covered by this report. This list must include all governing authorities.)

My examination was made in accordance with standards for assurance engagements published in the *CICA Handbook - Assurance*, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [Year end].

3. The reliability of financial statements.

I have audited the accompanying financial statements of [Crown agency X], which comprise the [balance sheet] as at [Year end], and the [income statement], [statement of changes in equity] and [cash flow statement] for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with [acceptable financial reporting framework] for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Appendix 3

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of [Crown agency X] as at [Year end], and [insert appropriate wording to describe financial results] for the year then ended in accordance with [acceptable financial reporting framework].

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